**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

YEAR ENDED DECEMBER 31, 2011

**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

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**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

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# INTRODUCTORY SECTION

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

ORGANIZATION SCHEDULE
DECEMBER 31, 2011

| Office | Name | Term Expires |
|---|---|---|
| **Commissioners** | | |
| 1st District | Donald Jensen, Chair | January 2013 |
| 2nd District | Cody Hempel | January 2015 |
| 3rd District | Neil Peterson | January 2015 |
| 4th District | Darryl Tveitbakk | January 2015 |
| 5th District | Oliver "Skip" Swanson | January 2013 |
| **Officers** | | |
| Elected: | | |
| Attorney | Alan Rogalla | January 2015 |
| Auditor | Kenneth Olson | January 2015 |
| Coroner | Richard Heinrichs | January 2015 |
| Recorder | Kenneth Schmalz | January 2015 |
| Sheriff | Ray Kuznia | January 2015 |
| Treasurer | Vickie Bjorgaard | January 2015 |
| Appointed: | | |
| Assessor | Adeline Olson | January 2013 |
| Highway Engineer | Michael Flaagan | May 2012 |
| Human Services Director | Kenneth Yutrzenka | Indefinite |
| Solid Waste Officer | Howard Person | Indefinite |
| Veterans Service Officer | Steve Stone | Indefinite |

# FINANCIAL SECTION

HOFFMAN, DALE, & SWENSON, PLLC

GOVERNMENTAL AUDIT SERVICES

Colleen Hoffman, Manager
Gordon Dale, CPA
Audrey Swenson, CPA

1541 Hwy. 59 South
Thief River Falls, MN 56701
Phone: 218-681-4078
Fax: 218-681-4079
choffman@mncable.net

# INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pennington County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pennington County, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pennington County as of December 31, 2011, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012, on our consideration of Pennington 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 considered in assessing the results of our audit.

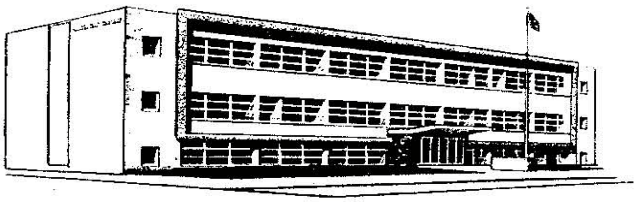
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pennington County's basic financial statements as a whole. The introductory section, the supplementary information, and the other schedules section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and other schedules sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 10, 2012



**PENNINGTON COUNTY**
101 Main Ave. No.; P.O. Box 616
Thief River Falls, MN 56701

## MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The management of Pennington County offers readers of the County's Financial Statements this narrative overview and analysis of the financial activities of Pennington County for the fiscal year ended December 31, 2011. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

The total net assets of governmental activities are $59,299,066, of which $48,233,196 is invested in capital assets, net of related debt, $2,267,946 is restricted for specific purposes, and $8,797,924 is unrestricted. The total net assets of governmental activities increased by $969,858 for the year ended December 31, 2011, primarily as a result of completed highway construction projects added to infrastructure.

At the close of 2011, the County's governmental funds reported combined ending fund balances of $11,138,283, an increase of $959,209, from the prior year. Of the total fund balance amount, $417,473 is non-spendable, $2,427,706 is legally or contractually restricted, $2,995,411 is formally committed for specific purposes, $2,547,863 is assigned for specific purposes, and $2,749,830 is noted as the unassigned fund balance in the General Fund. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.



"Equal Opportunity Employer"

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the 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 (e.g., uncollected taxes).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

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

**Fund Financial 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. Pennington County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

**Governmental 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, fund-level 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 financing 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 short-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County reports three governmental fund types: General, Special Revenue, and Debt Service. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the Ditch Special Revenue Fund, and the Capital Improvement Special Revenue Fund, all of which are considered to be major funds. Data from the other two special revenue funds and the four debt service funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in combining statements after the notes to the financial statements.

Pennington County adopts annual budgets for its governmental funds. Budgetary comparisons have been provided for these funds to demonstrate compliance with their budgets.

**Fiduciary Funds** Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Pennington County's fiduciary funds consist of ten agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the Agency Funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in Statement 6, Combining Statement of Changes in Assets and Liabilities, All Agency Funds.

**Notes to the Financial Statements**

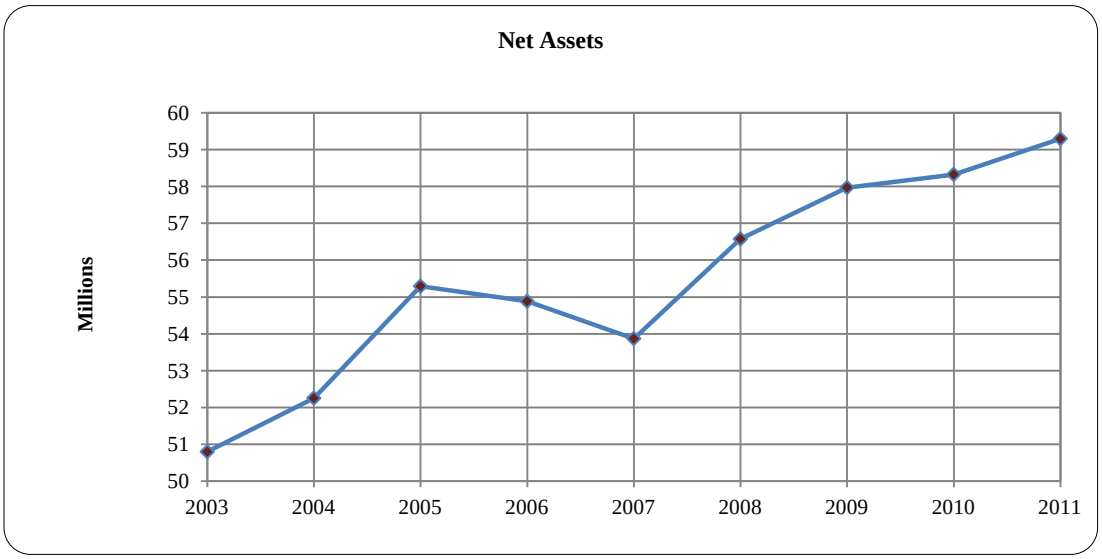
The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 22 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The County also provides supplementary and other information including combining statements, budgetary comparison schedules, a ditch balance sheet, and a schedule of intergovernmental revenue.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by $59,299,066 at the close of 2011. The largest portion of the County's net assets (approximately 81 percent) reflects its investment in capital assets (i.e., land, infrastructure, buildings and improvements, and machinery and equipment), net of related debt used to acquire those assets. It should be noted that this amount is not available for future spending. Approximately four percent of the County's net assets are restricted and 15 percent of the County's net assets are unrestricted. The unrestricted net asset amount of $8,797,924, as of December 31, 2011, may be used to meet the County's ongoing obligations to citizens.

The County's overall financial position increased from last year. Total assets increased by $751,355, from the prior year, primarily due to increases in cash from operations. Total liabilities decreased by $218,503, from the prior year, primarily due to the repayment of debt. This resulted in increased net assets of $969,858 from the prior year.



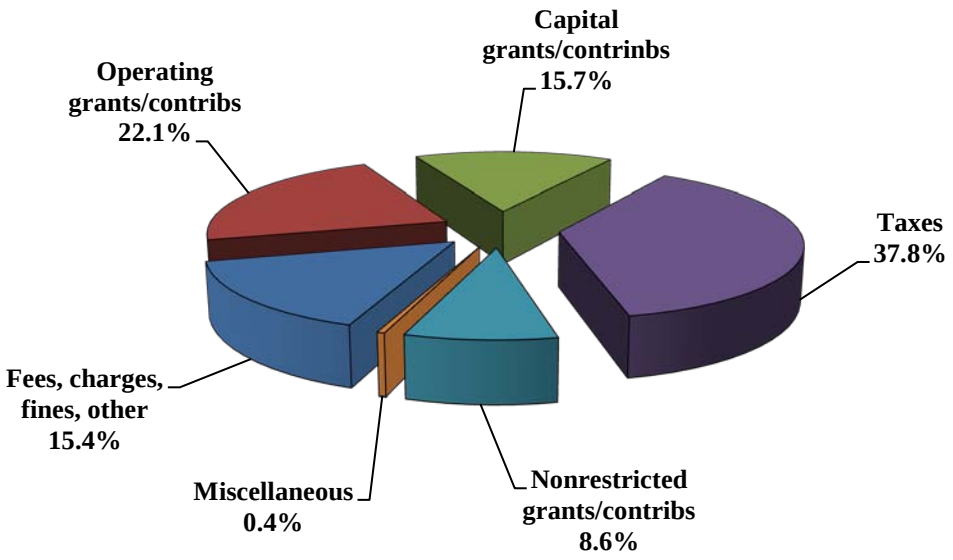
## NET ASSETS

| | Governmental Activities | |
|---|---|---|
| | 2011 | 2010 |
| Current and other assets | $ 12,774,825 | $ 11,740,577 |
| Capital assets | 50,178,912 | 50,461,805 |
| Total assets | $ 62,953,737 | $ 62,202,382 |
| Other liabilities | $ 571,332 | $ 552,840 |
| Long-term liabilities outstanding | 3,083,339 | 3,320,334 |
| Total liabilities | $ 3,654,671 | $ 3,873,174 |
| Net assets | | |
| Invested in capital assets, net of related debt | $ 48,233,196 | $ 48,185,751 |
| Restricted | 2,267,946 | 2,239,368 |
| Unrestricted | 8,797,924 | 7,904,089 |
| Total net assets | $ 59,299,066 | $ 58,329,208 |

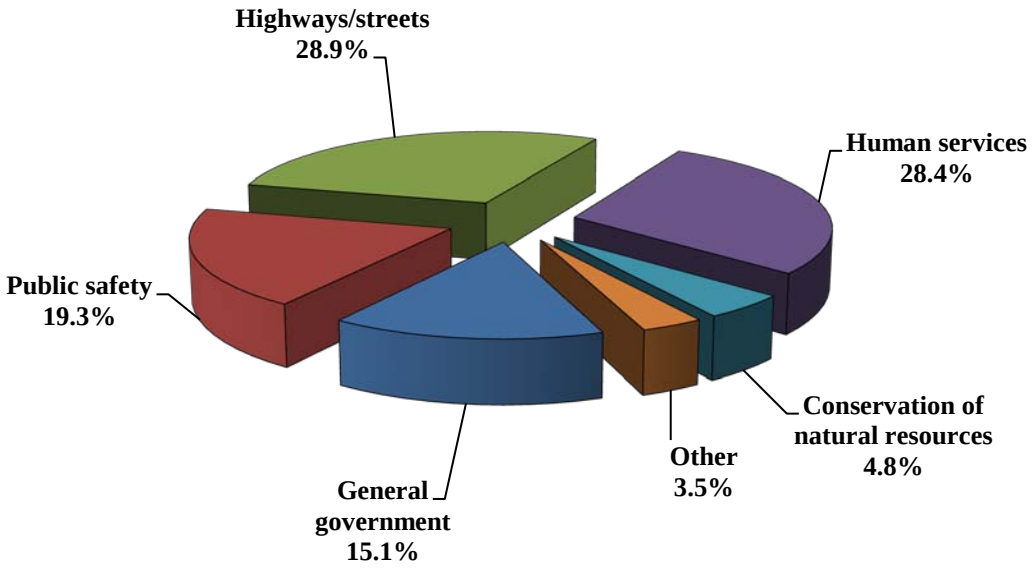
## CHANGES IN NET ASSETS

| | Governmental Activities | |
|---|---|---|
| | 2011 | 2010 |
| Revenues | | |
| Program Revenues | | |
| Fees, charges, fines and other | $ 2,536,131 | $ 1,958,972 |
| Operating grants and contributions | 3,634,648 | 4,253,351 |
| Capital grants and contributions | 2,582,140 | 1,700,472 |
| General Revenues | | |
| Taxes | 6,220,848 | 5,897,847 |
| Grants and contributions not restricted to specific programs | 1,409,913 | 1,409,643 |
| Payments in lieu of taxes | 37,199 | 20,626 |
| Investment earnings | 32,874 | 34,052 |
| Insurance dividends | - | 139,417 |
| Total revenues | $ 16,453,753 | $ 15,414,380 |
| Expenses | | |
| General government | $ 2,336,125 | $ 2,302,846 |
| Public safety | 2,991,878 | 2,974,841 |
| Highways and streets | 4,477,174 | 4,058,869 |
| Sanitation | 54,892 | 62,942 |
| Human services | 4,395,542 | 4,390,430 |
| Health | 52,341 | 55,380 |
| Culture and recreation | 198,362 | 201,293 |
| Conservation of natural resources | 746,469 | 834,726 |
| Economic development | 147,575 | 81,705 |
| Interest | 83,537 | 94,919 |
| Total expenses | $ 15,483,895 | $ 15,057,951 |
| Increase (decrease) in net assets | $ 969,858 | $ 356,429 |
| Net assets, January 1 | 58,329,208 | 57,972,779 |
| Net assets, December 31 | $ 59,299,066 | $ 58,329,208 |

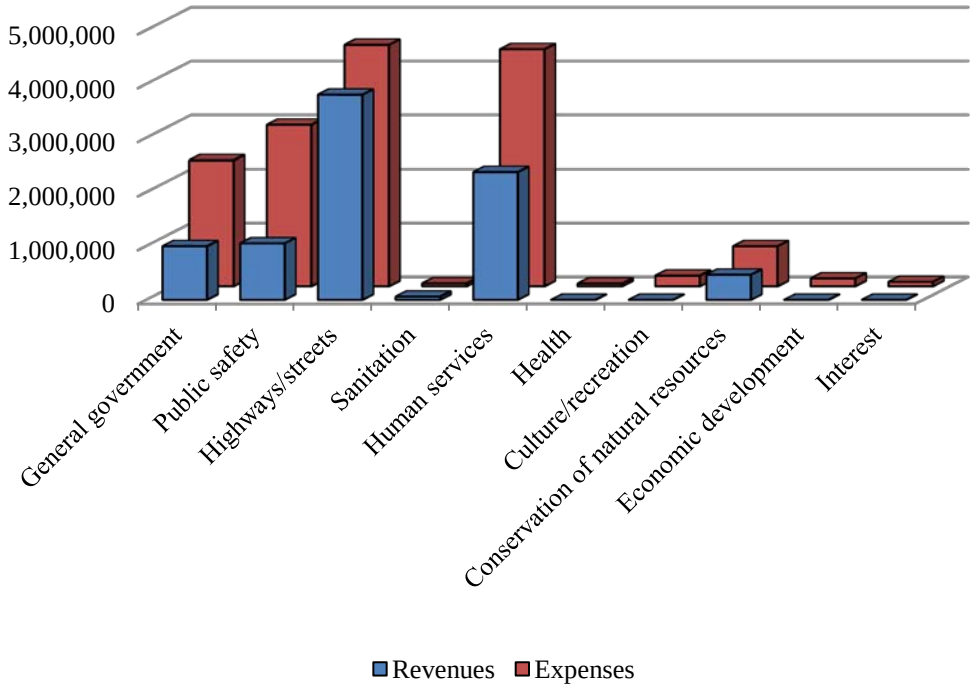
## Revenues by Source



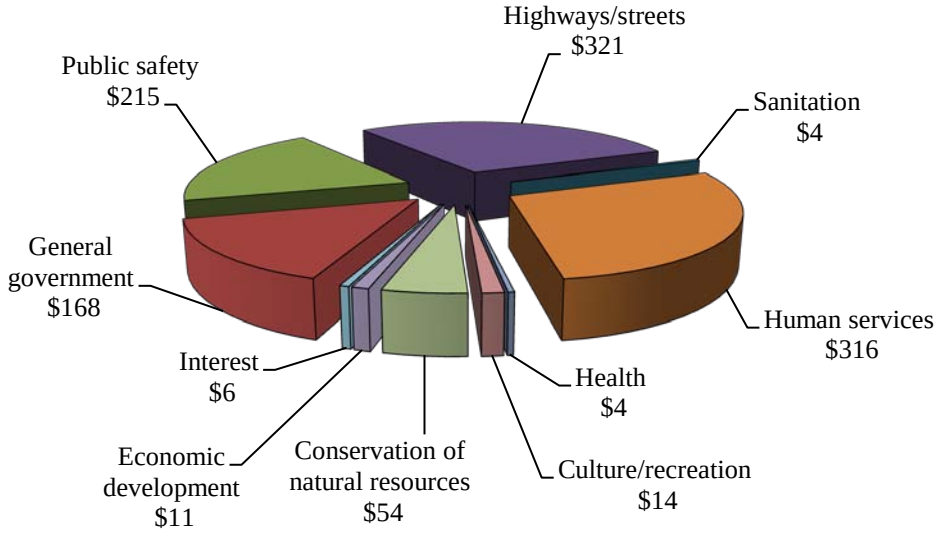

## Expenses by Function



## Program Revenues & Expenses




## Expenditure Per Capita
## 13,930 Population as of the 2010 Census



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

### Governmental Funds

At the end of 2011, the County's governmental funds reported combined ending fund balances of $11,138,283. Of this amount, approximately 3.7 percent constitutes non-spendable fund balance, 21.8 percent constitutes legally or contractually restricted fund balance, 26.9 percent constitutes formally committed fund balance, 22.9 percent constitutes specifically assigned fund balance, and 24.7 percent constitutes unassigned fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was $4,624,055. The General Fund's restricted fund balance was $1,014,480, committed fund balance was $859,745, and unassigned fund balance was $2,749,830. As a measure of the General Fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures for 2011. Unrestricted fund balance represents 63.5 percent of total General Fund expenditures, while total fund balance represents 81 percent of that same amount.

In 2011, the fund balance amount in the General Fund increased by $432,019, due to a modest levy increase, the receipt of a favorable insurance dividend, and most departments operating within their budgets. The County also restructured some full-time staff positions into shared staff arrangements among various departments.

The fund balance of the Road and Bridge Special Revenue Fund increased $543,878 in 2011, due to an increase in maintenance and construction activity which resulted in unanticipated County State Aid Highway receipts.

The fund balance of the Human Services Special Revenue Fund increased $175,870 from the prior year, due to a reduction in out-of-home placements.

The fund balance of the Ditch Special Revenue Fund decreased $187,909 from the prior year, due to the construction of a new drainage ditch.

The fund balance of the Capital Improvement Special Revenue Fund decreased $29,999 from the prior year, due to an appropriation to the newly formed Regional Airport Authority.

## GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget as approved for 2011.

Actual revenues were more than overall budgeted revenues by $146,553, with the largest positive variances in intergovernmental and miscellaneous revenues. Actual expenditures were less than overall final budgeted expenditures by $154,121, primarily as a result of decreased spending in all departments.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2011 amounted to $50,178,912 (net of accumulated depreciation). The total decrease in the County's investment in capital assets for the current fiscal year was less than one percent. This was primarily due to depreciation of capital assets.

| | Governmental Activities | |
|---|---|---|
| | 2011 | 2010 |
| Land | $ 464,569 | $ 464,569 |
| Infrastructure | 46,964,913 | 47,126,253 |
| Buildings and improvements | 1,773,469 | 1,894,615 |
| Machinery and equipment | 975,961 | 976,368 |
| Total capital assets | $ 50,178,912 | $ 50,461,805 |

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 total debt outstanding of $2,359,358 which is backed by the full faith and credit of the government.

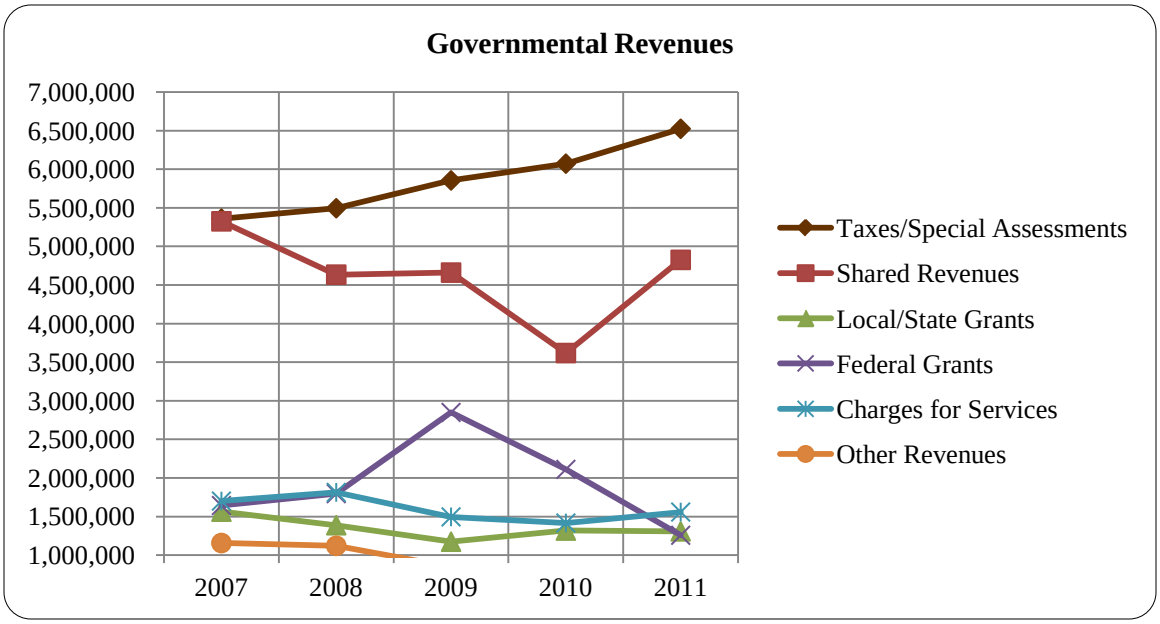
| | Governmental Activities | |
|---|---|---|
| | 2011 | 2010 |
| General Obligation Bonds (net of discount) | $ 1,373,358 | $ 1,601,204 |
| General Obligation Highway State-Aid Note | 986,000 | 1,069,000 |
| | $ 2,359,358 | $ 2,670,204 |

The County's net decrease in debt of $310,846 or 12 percent during the fiscal year was attributable to the repayment of debt. Minnesota Statutes limit the amount of debt that a County may have to three percent of its total market value, excluding revenue bonds. At the end of 2011, overall debt of the County is below the three percent debt limit.

Pennington County's bond rating is "A+" from Standard & Poor's. Additional information on the County's long-term debt can be found in the notes to the financial statements.

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

- The County depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities. The five-year analysis below focuses on the revenues of the County's governmental funds taken from Exhibit 5 and the Schedule of Intergovernmental Revenue.




- The unemployment rate for Pennington County was 5.8 percent as of December 31, 2011. This is consistent with the statewide rate of 5.7 percent and lower than the national average rate of 8.3 percent.

- Pennington County's 2010 population was 13,930, an increase of 346 since the 2000 census of 13,584.

- On December 13, 2011, Pennington County set its 2012 revenue and expenditure budgets.

**REQUESTS FOR INFORMATION**

This annual financial report is designed to provide a general overview of Pennington County for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kenneth Olson, Pennington County Auditor, P.O. Box 616, Thief River Falls, Minnesota 56701.

# BASIC FINANCIAL STATEMENTS

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***EXHIBIT 1***

## STATEMENT OF NET ASSETS
## DECEMBER 31, 2011

| | | Governmental Activities |
|---|---|---|
| **Assets** | | |
| Cash and pooled investments | $ | 10,883,887 |
| Taxes receivable - prior | | 247,705 |
| Special assessments receivable - prior | | 7,095 |
| Accounts receivable | | 58,624 |
| Notes receivable | | 46,000 |
| Accrued interest receivable | | 4,303 |
| Contracts receivable | | 46,500 |
| Due from other governments | | 1,217,343 |
| Inventories | | 224,402 |
| Deferred debt issuance costs | | 10,867 |
| Special assessments receivable - noncurrent | | 28,099 |
| Capital assets | | |
| Non-depreciable | | 464,569 |
| Depreciable - net of accumulated depreciation | | 49,714,343 |
| **Total Assets** | **$** | **62,953,737** |
| **Liabilities** | | |
| Accounts payable | $ | 236,385 |
| Salaries payable | | 89,818 |
| Contracts payable | | 112,420 |
| Due to other governments | | 102,922 |
| Accrued interest payable | | 29,787 |
| Long-term liabilities | | |
| Due within one year | | 706,672 |
| Due in more than one year | | 2,376,667 |
| **Total Liabilities** | **$** | **3,654,671** |
| **Net Assets** | | |
| Invested in capital assets, net of related debt | $ | 48,233,196 |
| Restricted for | | |
| General government | | 288,454 |
| Public safety | | 496,046 |
| Highways and streets | | 733,422 |
| Conservation of natural resources | | 324,740 |
| Debt service | | 425,284 |
| Unrestricted | | 8,797,924 |
| **Total Net Assets** | **$** | **59,299,066** |

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

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***EXHIBIT 2***

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED DECEMBER 31, 2011

| | | Program Revenues | | | Net (Expense) |
|---|---|---|---|---|---|
| | Expenses | Fees, Charges, Fines and Other | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets |
| **Functions/Programs** | | | | | |
| **Governmental activities** | | | | | |
| General government | $ 2,336,125 | $ 972,404 | $ 25,000 | $ - | $ (1,338,721) |
| Public safety | 2,991,878 | 720,010 | 304,660 | 25,350 | (1,941,858) |
| Highways and streets | 4,477,174 | 385,027 | 1,093,969 | 2,322,943 | (675,235) |
| Sanitation | 54,892 | 4,878 | 55,950 | - | 5,936 |
| Human services | 4,395,542 | 434,874 | 1,940,636 | - | (2,020,032) |
| Health | 52,341 | - | - | - | (52,341) |
| Culture and recreation | 198,362 | - | - | - | (198,362) |
| Conservation of natural resources | 746,469 | 18,938 | 214,433 | 233,847 | (279,251) |
| Economic development | 147,575 | - | - | - | (147,575) |
| Interest | 83,537 | - | - | - | (83,537) |
| **Total governmental activities** | **$ 15,483,895** | **$ 2,536,131** | **$ 3,634,648** | **$ 2,582,140** | **$ (6,730,976)** |

| | |
|---|---|
| **General revenues** | |
| Taxes | $ 6,220,848 |
| Grants and contributions not restricted to specific programs | 1,409,913 |
| Payments in lieu of taxes | 37,199 |
| Investment earnings | 32,874 |
| **Total general revenues** | **$ 7,700,834** |
| **Change in net assets** | **$ 969,858** |
| **Net assets - January 1** | **58,329,208** |
| **Net assets - December 31** | **$ 59,299,066** |

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

**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

***EXHIBIT 3***

**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**DECEMBER 31, 2011**

| | | Special Revenue Funds | | | | | |
|---|---|---|---|---|---|---|---|
| | **General Fund** | **Road and Bridge** | **Human Services** | **Ditch** | **Capital Improvement** | **Other Governmental Funds (Statement 1)** | **Total Governmental Funds** |
| **Assets** | | | | | | | |
| Cash and pooled investments | $ 4,494,049 | $ 1,363,895 | $ 1,642,574 | $ 442,953 | $ 2,135,666 | $ 804,750 | $ 10,883,887 |
| Taxes receivable - prior | 119,992 | 44,126 | 72,696 | - | - | 10,891 | 247,705 |
| Special assessments receivable - prior | - | - | - | 7,095 | - | - | 7,095 |
| Accounts receivable | 44,938 | 13,686 | - | - | - | - | 58,624 |
| Notes receivable | - | - | - | - | 46,000 | - | 46,000 |
| Accrued interest receivable | 4,303 | - | - | - | - | - | 4,303 |
| Contracts receivable | - | - | - | - | - | 46,500 | 46,500 |
| Due from other funds | 21,427 | 470 | - | - | - | - | 21,897 |
| Due from other governments | 215,512 | 755,535 | 206,105 | 40,191 | - | - | 1,217,343 |
| Inventories | - | 224,402 | - | - | - | - | 224,402 |
| Advances to other funds | - | - | - | - | - | 193,071 | 193,071 |
| Special assessments receivable - noncurrent | - | - | - | 28,099 | - | - | 28,099 |
| **Total Assets** | **$ 4,900,221** | **$ 2,402,114** | **$ 1,921,375** | **$ 518,338** | **$ 2,181,666** | **$ 1,055,212** | **$ 12,978,926** |

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

**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

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

**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**DECEMBER 31, 2011**

| | | Special Revenue Funds | | | | | |
|---|---|---|---|---|---|---|---|
| | **General Fund** | **Road and Bridge** | **Human Services** | **Ditch** | **Capital Improvement** | **Other Governmental Funds (Statement 1)** | **Total Governmental Funds** |
| **Liabilities and Fund Balances** | | | | | | | |
| **Liabilities** | | | | | | | |
| Accounts payable | $ 79,803 | $ 23,454 | $ 131,258 | $ - | $ - | $ 1,870 | $ 236,385 |
| Salaries payable | 51,832 | 13,880 | 24,106 | - | - | - | 89,818 |
| Contracts payable | - | 112,420 | - | - | - | - | 112,420 |
| Due to other funds | - | - | 21,427 | 470 | - | - | 21,897 |
| Due to other governments | 50,439 | 10,927 | 34,204 | 6,309 | - | 1,043 | 102,922 |
| Deferred revenue - unavailable | 94,092 | 768,024 | 57,005 | 63,968 | 46,000 | 55,041 | 1,084,130 |
| Advances from other funds | - | - | - | 193,071 | - | - | 193,071 |
| **Total Liabilities** | **$ 276,166** | **$ 928,705** | **$ 268,000** | **$ 263,818** | **$ 46,000** | **$ 57,954** | **$ 1,840,643** |
| **Fund Balances** | | | | | | | |
| Non-spendable | | | | | | | |
| Advances to other funds | $ - | $ - | $ - | $ - | $ - | $ 193,071 | $ 193,071 |
| Inventories | - | 224,402 | - | - | - | - | 224,402 |
| Restricted for | | | | | | | |
| Attorney forfeited property | 11,043 | - | - | - | - | - | 11,043 |
| County State Aid Highway Alottment | - | 733,422 | - | - | - | - | 733,422 |
| County Veterans Service Office Enhancement Grant | 6,538 | - | - | - | - | - | 6,538 |
| Debt service | - | - | - | - | - | 425,284 | 425,284 |
| Drug and Alcohol Resistance Education | 10,224 | - | - | - | - | - | 10,224 |
| Enhanced 911 | 451,991 | - | - | - | - | - | 451,991 |
| Handgun permits | 19,413 | - | - | - | - | - | 19,413 |
| Law library | 30,174 | - | - | - | - | - | 30,174 |
| Conservation of natural resources | 70,220 | - | - | 254,520 | - | - | 324,740 |
| Probation | 12,095 | - | - | - | - | - | 12,095 |
| Recorder's equipment | 97,128 | - | - | - | - | - | 97,128 |
| SCORE | 156,005 | - | - | - | - | - | 156,005 |
| Sheriff's forfeited property | 6,078 | - | - | - | - | - | 6,078 |
| Technology | 143,571 | - | - | - | - | - | 143,571 |
| Committed to | | | | - | - | | |
| Capital improvements | 755,043 | - | - | - | 2,135,666 | - | 2,890,709 |
| Jail canteen | 88,015 | - | - | - | - | - | 88,015 |
| Juvenile restitution | 12,551 | - | - | - | - | - | 12,551 |
| Parents forever | 4,136 | - | - | - | - | - | 4,136 |
| Assigned to | | | | - | - | | |
| Highways and streets | - | 515,585 | - | - | - | - | 515,585 |
| Human services | - | - | 1,653,375 | - | - | - | 1,653,375 |
| Sanitation | - | - | - | - | - | 378,903 | 378,903 |
| Unassigned | 2,749,830 | - | - | - | - | - | 2,749,830 |
| **Total Fund Balances** | **$ 4,624,055** | **$ 1,473,409** | **$ 1,653,375** | **$ 254,520** | **$ 2,135,666** | **$ 997,258** | **$ 11,138,283** |
| **Total Liabilities and Fund Balances** | **$ 4,900,221** | **$ 2,402,114** | **$ 1,921,375** | **$ 518,338** | **$ 2,181,666** | **$ 1,055,212** | **$ 12,978,926** |

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

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***EXHIBIT 4***

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

| | | |
|---|---|---|
| **Fund balances - total governmental funds (Exhibit 3)** | | **$ 11,138,283** |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | 50,178,912 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. | | 1,084,130 |
| Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | |
| Accrued interest payable | $ (29,787) | |
| General obligation bonds | (1,373,358) | |
| General obligation notes | (986,000) | |
| Deferred debt issuance costs | 10,867 | |
| Compensated absences payable | (528,040) | |
| Other post-employment benefits | (195,941) | (3,102,259) |
| **Net assets of governmental activities (Exhibit 1)** | | **$ 59,299,066** |

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

**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

***EXHIBIT 5***

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

| | | Special Revenue Funds | | | | | |
|---|---|---|---|---|---|---|---|
| | General Fund | Road and Bridge | Human Services | Ditch | Capital Improvement | Other Governmental Funds (Statement 2) | Total Governmental Funds |
| **Revenues** | | | | | | | |
| Taxes | $ 3,147,339 | $ 1,125,150 | $ 1,794,649 | $ - | $ - | $ 225,294 | $ 6,292,432 |
| Special assessments | - | - | - | 231,792 | - | - | 231,792 |
| Licenses and permits | 4,792 | - | - | - | - | - | 4,792 |
| Intergovernmental | 1,386,918 | 3,591,490 | 2,288,774 | - | - | 124,520 | 7,391,702 |
| Charges for services | 1,061,844 | 184,624 | 302,079 | 10,086 | - | - | 1,558,633 |
| Fines and forfeitures | 19,346 | - | - | - | - | - | 19,346 |
| Investment earnings | 32,874 | - | - | - | - | - | 32,874 |
| Miscellaneous | 464,268 | 159,441 | 132,795 | - | 105,001 | 4,893 | 866,398 |
| **Total Revenues** | **$ 6,117,381** | **$ 5,060,705** | **$ 4,518,297** | **$ 241,878** | **$ 105,001** | **$ 354,707** | **$ 16,397,969** |
| **Expenditures** | | | | | | | |
| **Current** | | | | | | | |
| General government | $ 2,223,316 | $ - | $ - | $ - | $ - | $ - | $ 2,223,316 |
| Public safety | 2,843,609 | - | - | - | - | - | 2,843,609 |
| Highways and streets | - | 4,083,410 | - | - | - | - | 4,083,410 |
| Sanitation | - | - | - | - | - | 50,763 | 50,763 |
| Human services | 45,876 | - | 4,342,427 | - | - | - | 4,388,303 |
| Health | 52,341 | - | - | - | - | - | 52,341 |
| Culture and recreation | 197,360 | - | - | - | - | - | 197,360 |
| Conservation of natural resources | 297,443 | - | - | 445,672 | - | 15 | 743,130 |
| Economic development | 12,575 | - | - | - | 135,000 | - | 147,575 |
| **Total Current** | **$ 5,672,520** | **$ 4,083,410** | **$ 4,342,427** | **$ 445,672** | **$ 135,000** | **$ 50,778** | **$ 14,729,807** |
| **Debt Service** | | | | | | | |
| Principal retirement | $ - | $ 83,000 | $ - | $ - | $ - | $ 230,000 | $ 313,000 |
| Interest | - | 33,567 | - | 1,879 | - | 48,579 | 84,025 |
| **Total Debt Service** | **$ -** | **$ 116,567** | **$ -** | **$ 1,879** | **$ -** | **$ 278,579** | **$ 397,025** |
| **Capital Outlay** | | | | | | | |
| General government | $ 6,306 | $ - | $ - | $ - | $ - | $ - | $ 6,306 |
| Public safety | 6,536 | - | - | - | - | - | 6,536 |
| Highways and streets | - | 242,216 | - | - | - | - | 242,216 |
| **Total Capital Outlay** | **$ 12,842** | **$ 242,216** | **$ -** | **$ -** | **$ -** | **$ -** | **$ 255,058** |
| **Total Expenditures** | **$ 5,685,362** | **$ 4,442,193** | **$ 4,342,427** | **$ 447,551** | **$ 135,000** | **$ 329,357** | **$ 15,381,890** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 432,019** | **$ 618,512** | **$ 175,870** | **$ (205,673)** | **$ (29,999)** | **$ 25,350** | **$ 1,016,079** |

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

**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

***EXHIBIT 5***
***(Continued)***

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

| | | Special Revenue Funds | | | | | |
|---|---|---|---|---|---|---|---|
| | General Fund | Road and Bridge | Human Services | Ditch | Capital Improvement | Other Governmental Funds (Statement 2) | Total Governmental Funds |
| **Other Financing Sources (Uses)** | | | | | | | |
| Transfers in | $ - | $ - | $ - | $ 17,764 | $ - | $ - | $ 17,764 |
| Transfers out | - | (17,764) | - | - | - | - | (17,764) |
| **Total Other Financing Sources (Uses)** | **$ -** | **$ (17,764)** | **$ -** | **$ 17,764** | **$ -** | **$ -** | **$ -** |
| **Net Change in Fund Balance** | **$ 432,019** | **$ 600,748** | **$ 175,870** | **$ (187,909)** | **$ (29,999)** | **$ 25,350** | **$ 1,016,079** |
| **Fund Balance - January 1** | **4,192,036** | **929,531** | **1,477,505** | **442,429** | **2,165,665** | **971,908** | **10,179,074** |
| **Increase (decrease) in inventories** | **-** | **(56,870)** | **-** | **-** | **-** | **-** | **(56,870)** |
| **Fund Balance - December 31** | **$ 4,624,055** | **$ 1,473,409** | **$ 1,653,375** | **$ 254,520** | **$ 2,135,666** | **$ 997,258** | **$ 11,138,283** |

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

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***EXHIBIT 6***

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2011

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds (Exhibit 5)** | | **$ 1,016,079** |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Expenditures for general capital assets and infrastructure | $ 1,396,328 | |
| Current year depreciation | (1,679,221) | (282,893) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. | | 55,784 |
| 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 | | |
| Capital improvement bonds | $ 230,000 | |
| State-aid highway notes | 83,000 | 313,000 |
| 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 | | |
| Amortization of discounts | $ (2,732) | |
| Deferred issuance charges | (2,154) | |
| Accrued interest payable | 3,495 | |
| Compensated absences payable | (31,543) | |
| Other post-employment benefits | (42,308) | |
| Inventories | (56,870) | (132,112) |
| **Change in net assets of governmental activities (Exhibit 2)** | | **$ 969,858** |

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

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***EXHIBIT 7***

## STATEMENT OF FIDUCIARY NET ASSETS
## FIDUCIARY FUNDS
## DECEMBER 31, 2011

| | Agency (Statement 6) |
|---|---|
| **Assets** | |
| Cash and pooled investments | $ 547,064 |
| Due from other funds | 27,873 |
| **Total Assets** | **$ 574,937** |
| **Liabilities** | |
| Accounts payable | $ 26,425 |
| Due to other funds | 27,873 |
| Due to other governments | 520,639 |
| **Total Liabilities** | **$ 574,937** |

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

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

## I. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

### A. Financial Reporting Entity

Pennington County was established November 23, 1910, and is an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes, Chapter 373. 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. The County Auditor, elected on a County-wide basis, serves as the clerk of the Board but has no vote.

The County participates in joint ventures and jointly-governed organizations which are described in Notes section V, subdivisions C and D, respectively.

### B. Basic Financial Statements

#### 1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) include the financial activities of the overall County government, except for the fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

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

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

I. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for and report 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. Financing is provided by annual tax levy, intergovernmental revenues, and charges for services restricted and assigned to various highways and streets purposes.

The Human Services Special Revenue Fund is used to account for and report economic assistance and community social services programs. Financing is provided by annual tax levy and intergovernmental revenues assigned to human services.

The Ditch Special Revenue Fund is used to account for and report the operation and maintenance of County and joint county drainage systems. Financing is provided by special assessments levied against benefited properties restricted for conservation of natural resources.

The Capital Improvement Special Revenue Fund was opened in 2007 to account for and report proceeds from the sale of the Oakland Park Nursing Home committed to future County capital improvements.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 agency capacity.

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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. The County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be 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.

As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2011, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2011 were $32,874.

Pennington 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 Minnesota Statute, § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

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 on May 15 and the second half due on October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as prior taxes receivable.

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances from/to other funds" (i.e., the non-current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible amounts, if applicable.

3. Inventories

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

Inventories, as reported in the fund financial statements, are offset by a fund balance account to indicate that they do not constitute available spendable resources.

4. Capital Assets

Capital assets, which include land, construction in progress, infrastructure (e.g., roads, bridges, and similar items), buildings and improvements, and machinery and equipment, are reported in the applicable government-wide financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per asset of $5,000, except all land and construction in progress which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when 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 extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Infrastructure, buildings and improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Infrastructure | 50-75 |
| Buildings and improvements | 20-30 |
| Machinery and equipment | 5-12 |

I. Summary of Significant Accounting Policies

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

5. Employee Benefits

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

The County uses the actuarial method of valuation to determine its Other Post-Employment Benefit liability.

6. Deferred Revenue

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

7. Long-Term Obligations

In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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 when issued. 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.

8. Net Assets and Fund Balance

Certain funds of the County are classified as restricted net assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantor, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

In the fund financial statements and in accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the County classifies governmental fund balances as follows:

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

8. Net Assets and Fund Balance (Continued)

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact.

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the County Board and do not lapse at year-end. To remove the constraint on specified use of committed resources the County Board shall pass a resolution.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The County Board has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the County Auditor.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above mentioned categories, and negative fund balances in other governmental funds.

The County will maintain an unrestricted fund balance in the General Fund of an amount not less than 35 to 50 percent of next year's budgeted expenditures of the General Fund. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall in excess of zero dollars. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by property taxes or transfers from other funds within a three-year period of time.

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The County Board will set aside amounts by resolution as deemed necessary that can only be expended when major flood or other natural disaster repairs exist as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the County's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

I. Summary of Significant Accounting Policies

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

9. 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.

II. Stewardship, Compliance, and Accountability

A. Individual Fund Deficits of Equity Accounts

Thirteen of the 51 active ditch systems incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following shows the restricted fund balance as of December 31, 2011:

| | | |
|---|---|---|
| Account balance | $ | 554,312 |
| Account deficit | | (299,792) |
| Fund Balance | $ | 254,520 |

B. Land Management

The County manages approximately 2,170 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 the County and cities, towns, and school districts within the County according to state statute.

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the County's total deposits and investments to the basic financial statements, as of December 31, 2011, are as follows:

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

| | |
|---|---|
| Governmental funds | |
| Cash and pooled investments | $ 10,883,887 |
| Fiduciary funds | |
| Cash and pooled investments | 547,064 |
| Total cash and investments | $ 11,430,951 |
| Deposits | $ 2,586,076 |
| Cash on hand | 1,875 |
| Investments | 8,843,000 |
| Total deposits, cash on hand, and investments | $ 11,430,951 |

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all County deposits be covered 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 standard 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 County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2011, the County's deposits were not exposed to custodial credit risk.

Investments

Minnesota Statutes, §§ 118A.04 and 118A.05 generally authorize the following types of investments available to the County:

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Investments (Continued)

(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 Minnesota Statute, § 118A.04, subdivision 6;

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

(3) general obligations of the State of Minnesota and its municipalities, and 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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At December 31, 2011, the County had the following investments and maturities:

| | Fair Value | Less Than 1 Year | 1-5 Years |
|---|---|---|---|
| Negotiable Certificates of Deposit | $ 1,543,000 | $ 199,000 | $ 1,344,000 |
| Minnesota Association of Governments Investing for Counties (MAGIC) Fund | 800,000 | 800,000 | - |
| Wells Fargo Advantage Government Money Market | 6,500,000 | 6,500,000 | - |
| Total Investments | $ 8,843,000 | $ 7,499,000 | $ 1,344,000 |
| | 100% | 85% | 15% |

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Investments (Continued)

Credit Risk

Generally, a 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.

The County's exposure to credit risk as of December 31, 2011, is as follows:

| | S & P Rating | Fair Value |
|---|---|---|
| Negotiable Certificates of Deposit | N/R | $ 1,543,000 |
| Minnesota Association of Governments Investing for Counties (MAGIC) Fund | N/A | 800,000 |
| Wells Fargo Advantage Government Money Market | AAA | 6,500,000 |
| | | $ 8,843,000 |

N/R – not rated
N/A – not applicable

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 that are in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2011, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, investment pools, and mutual funds. The County's negotiable certificates of deposit are with eight separate financial institutions and are not exposed to concentration of credit risk.

2. Receivables

Receivables as of December 31, 2011, for the County's governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

## III. Detailed Notes on All Funds

### A. Assets

#### 2. Receivables (Continued)

| | Total Receivables | Amounts Not Scheduled for Collection During the Subsequent Year |
|---|---|---|
| Taxes | $ 247,705 | $ - |
| Special assessments | 35,194 | 28,099 |
| Accounts | 58,624 | - |
| Notes | 46,000 | 46,000 |
| Accrued interest | 4,303 | - |
| Contracts | 46,500 | - |
| Due from other governments | 1,217,343 | - |
| Total | $ 1,655,669 | $ 74,099 |

#### 3. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated | | | | |
| Land | $ 464,569 | $ - | $ - | $ 464,569 |
| Capital assets being depreciated | | | | |
| Infrastructure | $ 66,396,227 | $ 1,141,270 | $ - | $ 67,537,497 |
| Buildings and improvements | 4,548,036 | 29,958 | - | 4,577,994 |
| Machinery and equipment | 3,871,350 | 225,100 | 346,179 | 3,750,271 |
| Total capital assets being depreciated | $ 74,815,613 | $ 1,396,328 | $ 346,179 | $ 75,865,762 |
| Less: accumulated depreciation for | | | | |
| Infrastructure | $ 19,269,974 | $ 1,302,610 | $ - | $ 20,572,584 |
| Buildings and improvements | 2,653,421 | 151,104 | - | 2,804,525 |
| Machinery and equipment | 2,894,982 | 225,507 | 346,179 | 2,774,310 |
| Total accumulated depreciation | $ 24,818,377 | $ 1,679,221 | $ 346,179 | $ 26,151,419 |
| Total capital assets, depreciated, net | $ 49,997,236 | $ (282,893) | $ - | $ 49,714,343 |
| Governmental Activities Capital Assets, Net | $ 50,461,805 | $ (282,893) | $ - | $ 50,178,912 |

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation Expense

Depreciation expense was charged to functions of the County as follows:

| | | |
|---|---|---|
| General government | $ | 82,687 |
| Public safety | | 103,611 |
| Highways and streets, including depreciation of infrastructure assets | | 1,473,818 |
| Human services | | 13,974 |
| Sanitation | | 4,129 |
| Culture and recreation | | 1,002 |
| Total Depreciation Expense | $ | 1,679,221 |

Construction Commitments

The County had no active construction commitments for highways and streets as of December 31, 2011.

B. Interfund Receivables, Payables, and Transfers

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

Due To/From Other Funds

| Receivable Fund | Payable Fund | Amount | | |
|---|---|---|---|---|
| General Fund | Human Services Special Revenue Fund | $ | 21,427 | Reimbursements |
| Road and Bridge Special Revenue Fund | Ditch Special Revenue Fund | | 470 | Charges for services |
| Total Due To/From Other Funds | | $ | 21,897 | |

Advances From/To Other Funds

| Receivable Fund | Payable Fund | Amount | | |
|---|---|---|---|---|
| Other Governmental | Ditch Special Revenue Fund | $ | 193,071 | Cash deficit |

This advance will be paid back.

Interfund Transfers

Interfund transfers for the year ended December 31, 2011 consisted of an operating transfer to the Ditch Special Revenue Fund from the Road and Bridge Special Revenue Fund in the amount of $17,764 for charges for services.

III. Detailed Notes on All Funds (Continued)

C. Liabilities

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. As of December 31, 2011, governmental funds reported the following various components of deferred unavailable revenue:

| | Deferred Unavailable |
|---|---|
| Taxes | $ 194,240 |
| Special Assessments | 33,663 |
| Contracts | 810,227 |
| Notes | 46,000 |
| Total Deferred Revenue | $ 1,084,130 |

Compensated Absences

Under the County's personnel policies and union contracts, employees are granted vacation in varying amounts based on their length of service. Vacation leave accrual varies from 12 to 21 days per year. Sick leave accrual is 12 days per year. Leave may be accumulated to a maximum of 24 days vacation and 100 days sick leave under the County's employment policy. For the governmental activities, compensated absences are generally liquidated by the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund.

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately $478,813 at December 31, 2011, is available to employees in the event of illness-related absences and is not paid to them at termination.

Long-Term Debt

| Types of Indebtedness | Final Maturity | Installment Amounts | Interest Rates (%) | Original Issue Amounts | Outstanding Balance December 31, 2011 |
|---|---|---|---|---|---|
| 2004 G.O. Capital Improvement Bonds | 2014 | $60,000-$65,000 | 3.44 | 535,000 | $ 185,000 |
| 2004 G.O. Refunding Bonds | 2011 | $55,000 | 4.34 | 310,000 | - |
| 2009 G.O. Refunding Bonds | 2019 | $120,000-$185,000 | 3.4 | 1,450,000 | 1,200,000 |
| | | | | $ 2,295,000 | $ 1,385,000 |
| Less: Bond discount | | | | - | (11,642) |
| Total General Obligation Bonds, net of discount | | | | $ 2,295,000 | $ 1,373,358 |
| 2001 G.O. Highway State-Aid Note | 2021 | $85,000-$113,000 | 3.14 | 2,000,000 | 986,000 |
| Total | | | | $ 4,295,000 | $ 2,359,358 |

## III. Detailed Notes on All Funds

### C. Liabilities

Long-Term Debt (Continued)

Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

| Year Ending December 31 | General Obligation Bonds | | 2001 General Obligation Highway State-Aid Note | | Total | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2012 | $ 235,000 | $ 41,666 | $ 85,000 | $ 30,960 | $ 320,000 | $ 72,626 |
| 2013 | 240,000 | 34,805 | 88,000 | 28,291 | 328,000 | 63,096 |
| 2014 | 250,000 | 26,892 | 91,000 | 25,528 | 341,000 | 52,420 |
| 2015 | 120,000 | 20,900 | 94,000 | 22,671 | 214,000 | 43,571 |
| 2016 | 130,000 | 16,870 | 97,000 | 19,719 | 227,000 | 36,589 |
| 2017-2021 | 410,000 | 23,275 | 531,000 | 51,025 | 941,000 | 74,300 |
| | | | | | - | - |
| | $ 1,385,000 | $ 164,408 | $ 986,000 | $ 178,194 | $ 2,371,000 | $ 342,602 |
| Less: Bond discount | (11,642) | - | - | - | (11,642) | - |
| Total | $ 1,373,358 | $ 164,408 | $ 986,000 | $ 178,194 | $ 2,359,358 | $ 342,602 |

Changes in Long-Term Liabilities

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| General obligation bonds | $ 1,615,000 | $ - | $ 230,000 | $ 1,385,000 | $ 235,000 |
| Less: Bond discount | (13,796) | - | (2,154) | (11,642) | - |
| 2001 General Obligation Highway State-Aid Note | 1,069,000 | - | 83,000 | 986,000 | 85,000 |
| Net OPEB Payable | 153,633 | 52,813 | 10,505 | 195,941 | - |
| Compensated Absences | 496,497 | 438,941 | 407,398 | 528,040 | 386,672 |
| Governmental Activities Long-Term Liabilities | $ 3,320,334 | $ 491,754 | $ 728,749 | $ 3,083,339 | $ 706,672 |

IV. Pension Plans and Other Post-Employment Benefits

Defined Benefits Plans

Plan Description

All full-time and certain part-time employees of the 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 Employee's 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 Minnesota Statutes, Chapters 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 is accrual rate is 3 percent for each year of service. For Public Employees Correctional Fund Members, the annuity accrual rate is 1.9 percent for each year of service.

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; 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.

IV. Pension Plans and Other Post-Employment Benefits

Defined Benefits Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes, Chapter 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 6.25 percent, respectively, of their annual covered salary in 2011. Public Employees Police and Fire Fund members were required to contribute 9.60 percent of their annual covered salary in 2011. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2011 and 2012:

| | |
|---|---|
| Public Employees Retirement Fund | |
| Basic Plan Members | 11.78% |
| Coordinated Plan Members | 7.25 |
| Public Employees Police and Fire Fund | 14.40 |
| Public Employees Correctional Fund | 8.75 |

The County's contributions for the years ending December 31, 2011, 2010, and 2009, for the 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 |
|---|---|---|---|
| 2011 | $ 242,639 | $ 61,917 | $ 73,102 |
| 2010 | 232,874 | 66,129 | 70,891 |
| 2009 | 269,208 | 65,137 | 78,395 |

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

Defined Contribution Plan

Three employees of Pennington County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minnesota Statute, Chapter 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.

IV. Pension Plans and Other Post-Employment Benefits

Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statute, § 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. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

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

| | Employee | Employer |
|---|---|---|
| Contribution amount | $ 2,199 | $ 2,199 |
| Percentage of covered payroll | 5% | 5% |

Required contribution rates were 5.00 percent.

Other Post-Employment Benefits – (OPEB)

Plan Description

Pennington County provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides for retirees by Minnesota Statute § 471.61, subdivision 2b. The retiree healthcare plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Pennington County Board of Commissioners. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This post-employment benefit is funded on a pay-as-you-go basis usually paying retiree benefits out of the General Fund. For 2011, there were approximately 121 participants in the plan, including three retirees and one spouse receiving payments.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

IV. Pension Plans and Other Post-Employment Benefits

Other Post-Employment Benefits – (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

| | | |
|---|---|---|
| Annual Required Contribution | $ | 55,287 |
| Interest on net OPEB obligation | | 6,913 |
| Adjustments to Annual Required Contribution | | (9,387) |
| Annual OPEB cost (expense) | $ | 52,813 |
| Contributions made | | (10,505) |
| Increase in net OPEB obligation | $ | 42,308 |
| Net OPEB Obligation - January 1, 2011 | | 153,633 |
| Net OPEB Obligation - December 31, 2011 | $ | 195,941 |

The County's annual OPEB cost for December 31, 2011 was $52,813. The percentage of annual OPEB cost contributed to the plan was 19.9 percent, and the net OPEB obligation for 2011 was $195,941. Currently, only two year's actuarial data is available. For trend information, refer to the Required Supplementary Information beginning on page 57 of this report.

Fund Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was $493,738, and the actuarial value of assets was zero, resulting in an unfunded actuarial liability (UAAL) of $493,738. The covered payroll (annual payroll of active employees covered by the plan) was $4,675,993, and the ratio of the UAAL to the covered payroll was 10.6 percent.

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

Actuarial Methods and Assumptions

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

IV. Pension Plans and Other Post-Employment Benefits

Other Post-Employment Benefits – (OPEB)

Actuarial Methods and Assumptions (Continued)

In the January 1, 2011, actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Pennington County's implicit rate of return on the General Fund. The annual healthcare cost trend is 8.0 percent initially reduced to an ultimate rate of 5.0 percent over six years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2011, was 26 years.

V. Summary of Significant Contingencies and Other Items

A. 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, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

B. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage, 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 workers' compensation and property and casualty liabilities. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

The Worker's Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $450,000 per claim in 2011 and $460,000 per claim in 2012. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining and the County pays an annual premium to cover current and future losses. The 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.

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

C. Joint Ventures

Homeland Security Emergency Management (HSEM) Region 3 Emergency Managers Joint Powers Board

The HSEM Region 3 Emergency Managers Joint Powers Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, § 471.59 and Minnesota Statutes, Chapter 12. Members include Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties.
The purpose of the HSEM Region 3 Emergency Managers Joint Powers Board is to engage in planning, training, and/or the purchase of equipment in order to better respond to emergencies and natural and other disasters within HSEM Region 3; specifically within the jurisdictional boundaries of the member counties.

Control is vested in the HSEM Region 3 Emergency Managers Joint Powers Board, which is composed of one representative from each member county, appointed by their respective governing bodies as provided in the HSEM Region 3 Emergency Managers Board's Joint Powers Agreement.

The HSEM Region 3 Emergency Managers Joint Powers Board has no long-term debt. Financing will be provided by a Homeland Security Grant Program and other grant programs and awards.

Inter-County Nursing Service

The Inter-County Nursing Service was formed in 1978 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, § 471.59, and includes Pennington and Red Lake Counties. The purpose of the Nursing Service is to provide, through visits to individuals' homes, skilled public nursing care on a part-time or intermittent basis to residents of Pennington and Red Lake Counties.

Control of the Nursing Service is vested in the Inter-County Nursing Service Board, which is composed of one county commissioner and four others from each county, and a physician who may be from either county. In the event of dissolution of the Inter-County Nursing Service Board, the net assets of the Nursing Service at that time shall be divided between the counties in proportion to the contribution of each.

The Nursing Service has no long-term debt. Financing is provided by state and federal grants, charges for services, and appropriations from the two counties. Pennington County contributed $49,906 to the Nursing Service for the year ended December 31, 2011. Pennington County, in an agent capacity, reports the cash transactions of the Nursing Service as an agency fund on its financial statements. Complete financial information can be obtained from the Pennington County Auditor's Office or the Nursing Service's office, P.O. Box 616, Thief River Falls, Minnesota 56701.

V. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Northern Counties Land Use Coordinating Board

The Northern Counties Land Use Coordinating Board was established September 22, 1993, and amended May 4, 1995, under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Cook, Itasca, Koochiching, Lake, Lake of the Woods, Marshall, Pennington, and St. Louis Counties. The purpose of the Land Use Coordinating Board is to formulate land use plans or general policies needed for the protection, sustainable use, and development of lands and natural resources in Northern Minnesota.

The Northern Counties Land Use Coordinating Board is composed of two elected county commissioners from each member county except St. Louis County, which has three members, as provided in the Land Use Coordinating Board's bylaws.

In the event of dissolution of the Northern Counties Land Use Coordinating Board, the net assets shall be distributed to the respective member counties in proportion to the contribution of each.

The Land Use Coordinating Board has no long-term debt. Financing is provided by appropriations from member counties. Pennington County contributed $2,000 to the Land Use Coordinating Board for the year ended December 31, 2011. St. Louis County, in an agent capacity, reports the cash transactions as an agency fund on its financial statements. Complete financial information can be obtained from the St. Louis County Auditor, 100 North Fifth Avenue West, Duluth, Minnesota 55802.

Northwest Minnesota Household Hazardous Waste Management Group

The Northwest Minnesota Household Hazardous Waste Management Group was formed in 1992 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Waste Management Group is to cooperatively manage, handle, and transport household hazardous waste, provide public education on safe waste management, and provide for the disposition of non-recyclable household hazardous waste materials.

Control of the Waste Management Group is vested in the Northwest Minnesota Household Hazardous Waste Management Group Joint Powers Board, which is composed of one county commissioner from each of the member counties, as provided in the Waste Management Group's bylaws.

Responsibility for budgeted expenditures is shared with the first 50 percent divided equally among the member counties, and the remaining 50 percent divided on a population-ratio basis. In the event of dissolution, the net assets shall be divided among the member counties in the same proportion as their respective financial responsibilities.

V. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northwest Minnesota Household Hazardous Waste Management Group (Continued)

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. Pennington County disbursed $6,457 to the Waste Management Group for the year ended December 31, 2011. Clearwater County, in an agent capacity, reports the cash transactions as an agency fund on its financial statements. Complete financial information can be obtained from the Clearwater County Auditor's Office or the Waste Management Group's office, P.O. Box 186, Bagley, Minnesota 56621.

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, §§ 403.39 and 471.59. Members include Becker, Beltrami, Clearwater, Clay, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties and the City of Moorhead. The purpose of the Northwest Minnesota Regional Radio Board is to provide regional administration for the installation, operation, and maintenance of local and regional enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in the Northwest Minnesota Regional Radio Board, which is composed of one county commissioner from each member county and one city council member from the member city, appointed by their respective governing bodies as provided in the Northwest Minnesota Regional Radio Board’s Joint Powers Agreement.

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by annual contributions from members, reflective of the extent of participation and use of services. Pennington County did not contribute to the Northwest Regional Radio Board for the year ended December 31, 2011. Complete financial information can be obtained from Headwaters Regional Development Commission, P.O. Box 906, Bemidji, Minnesota 56619.

Northwest Minnesota Six County Joint Powers Board

The Northwest Minnesota Six County Joint Powers Board was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Marshall, Pennington, Polk, and Red Lake Counties. The purpose of the Board is to receive and expend funds for beaver damage control.

The Northwest Minnesota Six County Joint Powers Board is composed of one representative appointed by each county board from the six counties. Each county also has one alternate appointed to the Board, and the Board may choose to have non-voting advisory members on the Board. In the event of dissolution, the net assets shall be distributed to the respective member counties in proportion to the contribution of each.

Financing is provided by grants from the State of Minnesota or contributions. Complete financial information can be obtained from the Red Lake Watershed District, P.O. Box 803, Thief River Falls, Minnesota 56701.

V. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Northwest Service Cooperative

The Northwest Service Cooperative (NWSC) was established in February, 1977, pursuant to Minnesota Statutes, §§ 471.59 and 123.582. The NWSC is located in State Development Regions One and Two which includes 12 counties covering a total of 14,853 miles. These are the most sparsely populated regions of the state with only 11 persons per square mile. The regions are known as "Pine to Prairie." The NWSC provides service to all school districts, and many cities, counties, and other governmental agencies in the northwest region. The Northwest Service Cooperative's purpose is to meet or exceed the needs of participating members by developing and delivering high quality, cost-effective services and programs that will support the activities of its members.

The NWSC is governed by a Board of Directors consisting of school board members elected at large by their peers, one city representative, with a maximum of three at-large appointees and three ex-officio superintendents. Pennington County contributed $250 to the Cooperative for the year ended December 31, 2011. Complete financial information can be obtained from the Northwest Service Cooperative, 114 First Street West, Thief River Falls, Minnesota 56701.

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the Association is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and back-up system.

Control of the Association is vested in the Northwestern Counties Data Processing Security Association Joint Powers Board, which is composed of one county commissioner appointed by each member county board. In the event of dissolution, the net assets of the Association at that time shall be distributed to the respective member counties in proportion to the contribution of each.

The Northwestern Counties Data Processing Security Association has no long-term debt. Financing is provided by state grants and appropriations from member counties when needed. Pennington County did not contribute to the Association for the year ended December 31, 2011. Lake of the Woods County, in an agent capacity, reports the cash transactions of the Association as an agency fund on its financial statements. Complete financial information can be obtained from the Lake of the Woods County Auditor's Office, 206 8th Avenue SE, Suite 260, Baudette, Minnesota 56623.

V. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Northwestern Minnesota Juvenile Center

The Northwestern Minnesota Juvenile Center was formed under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, effective August 1971, and includes Beltrami, Cass, Clearwater, Hubbard, Kittson, Lake of the Woods, Pennington, and Roseau Counties. The purpose of the Center is to provide rehabilitation and other services to juveniles under the jurisdiction of the court system. The offices of the Center are located in Bemidji, with satellite homes at various locations.

Control of the Center is vested in the Northwestern Minnesota Juvenile Center Joint Powers Board, which is composed of at least one member appointed by each participating county, as provided in the Center's bylaws. At present, there are 13 directors: Beltrami, Cass, Hubbard, Pennington, and Roseau Counties have two directors each; the other member counties have one director each. In the event of dissolution, the net assets of the Center shall 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. Beltrami County, in an agent capacity, reports the cash transactions of the Northwestern Minnesota Juvenile Center as an agency fund on its financial statements. Complete financial information can be obtained from the Beltrami County Auditor/Treasurer's Office or at the Center's office, P.O. Box 247, Bemidji, Minnesota 56601.

Quin County Community Health Service

The Quin County Community Health Service was formed in 1978 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Kittson, Marshall, Pennington, Red Lake, and Roseau Counties. The purpose of the Health Service is to develop and implement policies and procedures to promote efficiency and economy in the delivery of community health services.

Control of the Health Service is vested in the Quin County Board of Health, which is composed of one member appointed from each of the member counties (total five members, as provided in the joint powers agreement). In the event of dissolution, the net assets of the Health Service shall be divided among the member counties in the same proportion as their respective financial responsibilities as determined by county population.

The Health Service has no long-term debt. Financing is provided by state and federal grants, charges for services, and appropriations from the member counties when needed. Marshall County, in an agent capacity, reports the cash transactions of the Health Service as an agency fund on its financial statements. Complete financial information can be obtained from the Marshall County Auditor/Treasurer's Office or the Health Service's office, Newfolden, Minnesota 56738.

V. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Red Lake River Corridor

The Red Lake River Corridor Joint Powers Board was formed in 2003 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes the Cities of Thief River Falls, St. Hilaire, Red Lake Falls, Crookston, Fisher and East Grand Forks; the Counties of Polk, Red Lake, Pennington; and the Red Lake Band of Chippewa Reservation. The purpose of the Board is for the development and enhancement of recreational and natural resources along the Red Lake River.

The Red Lake River Corridor Joint Powers Board is composed of one member for each participating entity. Each participant may also have one alternate who, in the absence of the appointed member, may attend meetings and have all the duties and rights of the member. In the event of dissolution, the net assets shall be distributed to the respective members in proportion to the contribution of each.

Financing is provided by contributions from members. The County did not contribute to the Board in 2011. Complete financial information can be obtained from the Treasurer, Stacy Myhrer, 102 Broadway Avenue North, St. Hilaire, Minnesota 56754.

Thief River Falls Regional Airport Authority

The Thief River Falls Regional Airport Authority was formed in 2010 pursuant to Minnesota Statutes, §§ 360.0425 to 360.0427, and 471.59, and includes Pennington County and the City of Thief River Falls. The purpose of the Thief River Falls Regional Airport Authority is to acquire, establish, construct, maintain, improve, and operate the Airport.

The Airport Authority consists of five Commissioners: two Commissioners from the County Board, two Commissioners from the City Council, and one lay Commissioner mutually appointed by the County and City. The Commissioners shall each be appointed for three year terms.

In the event of dissolution of the Airport Authority, net assets at that time shall be divided between the participating governmental entities in proportion to their relative shares of the most recent levy.

Financing is provided by state and federal grants, charges for services, and appropriations and property tax levies, pursuant to Minnesota Statute, § 275.066. Pennington County appropriated $60,000 to the Airport Authority for the year ended December 31, 2011. Complete financial information can be obtained from the Thief River Falls Regional Airport Authority, P.O. Box 672, Thief River Falls, Minnesota 56701.

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

D. Jointly-Governed Organizations

Job Training Partnership Act Joint Powers Agreement

The Job Training Partnership Act Joint Powers Agreement was formed in July 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Joint Powers Agreement is to designate the members of the Northwest Regional Development Commission's Board of Directors as the Local Elected Officials to work with the Northwest Private Industry Council for the Northwest Service Delivery Area, including specific duties as listed in the Agreement.

Minnesota Counties Computer Consortium

The Minnesota Counties Computer Consortium was formed in 1979 pursuant to Minnesota Statute, § 471.59 and includes 24 counties. Control of the Consortium is vested in the Joint Data Processing Board which is composed of one representative and one alternate appointed by each member county. The County's responsibility does not extend beyond making this appointment.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake, Lake of the Woods, Mahnomen, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee which is composed of ten directors, each with an alternate, who are appointed annually by each respective county board. The County contributed $2,100 to the Caucus for the year ended December 31, 2011.

Multi-Cultural Events Center Joint Powers Board

The Multi-Cultural Events Center Joint Powers Board was formed in 1995 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Pennington County, the City of Thief River Falls, Independent School District No. 564, Northland Community College, and Northwest Technical College. The Joint Powers Board is composed of one director appointed by the governing body of each member, with one alternate designated for each director, as provided in the Joint Powers Board's bylaws. The County did not contribute to the Multi-Cultural Events Center Joint Powers Board in 2011.

Northwest Minnesota Multi-County Housing and Redevelopment Authority

The Northwest Minnesota Multi-County Housing and Redevelopment Authority (HRA) was formed pursuant to Minnesota Statute, § 469.004, effective September 1972, and includes Kittson, Marshall, Pennington, Polk, Red Lake, and Roseau Counties. Control of the HRA is vested in the HRA Board which is composed of six members with indefinite terms made up of one member appointed by each board of county commissioners. Pennington County's responsibility does not extend beyond making this appointment.

V. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Northwest Regional Library

The Northwest Regional Library was formed pursuant to Minnesota Statutes, §§ 134.20 and 471.59, effective January 1, 1981, and includes Kittson, Marshall, Pennington, Red Lake, and Roseau Counties. Control of the Library is vested in the Northwest Regional Library Board which is composed of 16 members with staggered terms made up of the following: one member appointed by each board of county commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Pennington County appropriated $86,086 to the Library for the year ended December 31, 2011.

Northwest Workforce Service Area

The Northwest Workforce Service Area was formed in July 2000 under the authority of the Workforce Investment Act of 1998 (Public Law 105-22) and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Service Area is to increase a participant's employment, retention, earnings, and occupational skill attainment and result in improved workforce quality, reduced welfare dependency, and enhanced productivity and competitiveness.

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council/Workforce Council, composed of 18 members with one representative from each of the seven counties, three members at large, and eight members representing local agencies. In the event of dissolution of the Northwest Workforce Service Area, unexpended funds will be disposed of in accordance with law.

The Northwest Workforce Service Area has no long-term debt. Financing is provided by state and local grants. Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Pennington County Family Service Collaborative

The Pennington County Family Service Collaborative was formed pursuant to Minnesota Statute, § 124D.23, effective July 1, 1996, and includes Pennington County, Thief River Falls Independent School District 564, and the Inter-County Nursing Service. Control of the Collaborative is vested in the Family Service Collaborative Board and includes at least one member from the public entities along with other members of the general public. Pennington County has accepted responsibility as the fiscal agent for reporting, claiming, and receiving payments.

V. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Red Lake Watershed District

The Red Lake Watershed District was formed pursuant to Minnesota Statute, § 103D.201, effective January 25, 1969, and includes land within Beltrami, Clearwater, Itasca, Koochiching, Mahnomen, Marshall, Pennington, Red Lake, and Roseau Counties. Control of the District is vested in the Red Lake Watershed District Board of Managers which is composed of seven members having staggered terms of three years each, with two appointed by the Polk County Board and one each appointed by the County Boards of Beltrami, Clearwater, Marshall, Pennington, and Red Lake. Pennington County's responsibility does not extend beyond making this appointment.

# REQUIRED SUPPLEMENTARY INFORMATION

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 1***

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Taxes | $ 3,218,038 | $ 3,218,038 | $ 3,147,339 | $ (70,699) |
| Licenses and permits | 3,063 | 3,063 | 4,792 | 1,729 |
| Intergovernmental | 1,286,608 | 1,286,608 | 1,386,918 | 100,310 |
| Charges for services | 1,170,296 | 1,170,296 | 1,061,844 | (108,452) |
| Fines and forfeitures | 21,000 | 21,000 | 19,346 | (1,654) |
| Investment earnings | 35,000 | 35,000 | 32,874 | (2,126) |
| Miscellaneous | 236,823 | 236,823 | 464,268 | 227,445 |
| **Total Revenues** | **$ 5,970,828** | **$ 5,970,828** | **$ 6,117,381** | **$ 146,553** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **General government** | | | | |
| Commissioners | $ 231,606 | $ 231,606 | $ 245,024 | $ (13,418) |
| District court | 21,500 | 21,500 | 10,047 | 11,453 |
| Court reporter | - | - | 88 | (88) |
| Law library | 17,000 | 17,000 | 12,220 | 4,780 |
| County administration | 1,000 | 1,000 | 984 | 16 |
| County auditor | 272,560 | 272,560 | 257,579 | 14,981 |
| License bureau | 219,964 | 219,964 | 217,830 | 2,134 |
| County treasurer | 119,628 | 119,628 | 137,146 | (17,518) |
| County assessor | 223,688 | 223,688 | 213,756 | 9,932 |
| Elections | 10,000 | 10,000 | 11,435 | (1,435) |
| Data processing | 128,621 | 128,621 | 129,587 | (966) |
| Attorney | 315,685 | 315,685 | 315,630 | 55 |
| Recorder | 209,757 | 209,757 | 180,414 | 29,343 |
| Buildings and grounds | 295,594 | 295,594 | 296,130 | (536) |
| Veterans service officer | 97,585 | 97,585 | 97,539 | 46 |
| Insurance | 38,500 | 38,500 | 31,152 | 7,348 |
| Other general government | 61,300 | 61,300 | 66,755 | (5,455) |
| **Total general government** | **$ 2,263,988** | **$ 2,263,988** | **$ 2,223,316** | **$ 40,672** |

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

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

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

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Expenditures** | | | | |
| **Current (Continued)** | | | | |
| **Public safety** | | | | |
| Sheriff | $ 796,076 | $ 796,076 | $ 785,729 | $ 10,347 |
| Coroner | 12,348 | 12,348 | 9,782 | 2,566 |
| County jail | 1,013,520 | 1,013,520 | 1,001,980 | 11,540 |
| DARE program | 3,500 | 3,500 | 4,172 | (672) |
| Enhanced 911 | 87,000 | 87,000 | 21,755 | 65,245 |
| Emergency services | 27,000 | 27,000 | 55,494 | (28,494) |
| Jail canteen fund | 36,500 | 36,500 | 55,796 | (19,296) |
| Juvenile justice | 5,000 | 5,000 | 8,614 | (3,614) |
| Law enforcement center | 543,661 | 543,661 | 549,365 | (5,704) |
| Probation and parole | 40,500 | 40,500 | 36,851 | 3,649 |
| Sentence to service | 202,086 | 202,086 | 200,854 | 1,232 |
| Training | 4,000 | 4,000 | 7,792 | (3,792) |
| Victim assistance | 110,683 | 110,683 | 105,425 | 5,258 |
| **Total public safety** | **$ 2,881,874** | **$ 2,881,874** | **$ 2,843,609** | **$ 38,265** |
| **Human Services** | | | | |
| Buildings and grounds | $ 50,107 | $ 50,107 | $ 45,876 | $ 4,231 |
| **Health** | | | | |
| Nursing service | $ 49,906 | $ 49,906 | $ 49,906 | $ - |
| County health officer | 979 | 979 | 958 | 21 |
| Parenting education | 3,000 | 3,000 | 1,477 | 1,523 |
| **Total health** | **$ 53,885** | **$ 53,885** | **$ 52,341** | **$ 1,544** |
| **Culture and recreation** | | | | |
| Auditorium | $ 45,155 | $ 45,155 | $ 37,754 | $ 7,401 |
| Historical society | 13,000 | 13,000 | 13,000 | - |
| Regional library | 86,086 | 86,086 | 86,086 | - |
| Senior citizens | 1,000 | 1,000 | 1,000 | - |
| Snowmobile and ski trails | 75,840 | 75,840 | 59,520 | 16,320 |
| **Total culture and recreation** | **$ 221,081** | **$ 221,081** | **$ 197,360** | **$ 23,721** |

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

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

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

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Expenditures** | | | | |
| **Current (Continued)** | | | | |
| **Conservation of natural resources** | | | | |
| Agricultural society | $ 10,000 | $ 10,000 | $ 10,000 | $ - |
| Agriculture inspection | 35 | 35 | 39 | (4) |
| Area Ag Information Center | 5,000 | 5,000 | 5,000 | - |
| Cooperative extension | 159,738 | 159,738 | 139,098 | 20,640 |
| Soil and water conservation | 146,981 | 146,981 | 143,306 | 3,675 |
| **Total conservation of natural resources** | **$ 321,754** | **$ 321,754** | **$ 297,443** | **$ 24,311** |
| **Economic development** | | | | |
| Economic development | $ 4,819 | $ 4,819 | $ 3,000 | $ 1,819 |
| Minnesota Heartland | 275 | 275 | 275 | - |
| Red River Valley Development | 800 | 800 | 800 | - |
| Tri-Valley Opportunity Council | 9,600 | 9,600 | 8,500 | 1,100 |
| **Total economic development** | **$ 15,494** | **$ 15,494** | **$ 12,575** | **$ 2,919** |
| **Total Current Expenditures** | **$ 5,808,183** | **$ 5,808,183** | **$ 5,672,520** | **$ 135,663** |
| **Capital outlay** | | | | |
| General government | $ 18,500 | $ 18,500 | $ 6,306 | $ 12,194 |
| Public safety | 12,800 | 12,800 | 6,536 | 6,264 |
| **Total capital outlay** | **$ 31,300** | **$ 31,300** | **$ 12,842** | **$ 18,458** |
| **Total Expenditures** | **$ 5,839,483** | **$ 5,839,483** | **$ 5,685,362** | **$ 154,121** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 131,345** | **$ 131,345** | **$ 432,019** | **$ 300,674** |
| **Fund Balance - January 1** | **4,192,036** | **4,192,036** | **4,192,036** | **-** |
| **Fund Balance - December 31** | **$ 4,323,381** | **$ 4,323,381** | **$ 4,624,055** | **$ 300,674** |

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

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 2***

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Taxes | $ 1,128,746 | $ 1,128,746 | $ 1,125,150 | $ (3,596) |
| Intergovernmental | 2,815,457 | 2,815,457 | 3,591,490 | 776,033 |
| Charges for services | 73,000 | 73,000 | 184,624 | 111,624 |
| Miscellaneous | 168,191 | 168,191 | 159,441 | (8,750) |
| **Total Revenues** | **$ 4,185,394** | **$ 4,185,394** | **$ 5,060,705** | **$ 875,311** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Highways and Streets** | | | | |
| Administration | $ 295,230 | $ 295,230 | $ 260,685 | $ 34,545 |
| Maintenance | 371,282 | 371,282 | 270,241 | 101,041 |
| Construction | 1,491,488 | 1,491,488 | 1,772,858 | (281,370) |
| Equipment maintenance and shop | 1,445,624 | 1,445,624 | 1,519,339 | (73,715) |
| Township roads | - | - | 165,970 | (165,970) |
| Other highways and streets | 113,000 | 113,000 | 94,317 | 18,683 |
| **Total highways and streets** | **$ 3,716,624** | **$ 3,716,624** | **$ 4,083,410** | **$ (366,786)** |
| **Debt Service** | | | | |
| Principal retirement | $ 83,000 | $ 83,000 | $ 83,000 | $ - |
| Interest | 33,567 | 33,567 | 33,567 | - |
| **Total debt service** | **$ 116,567** | **$ 116,567** | **$ 116,567** | **$ -** |
| **Capital Outlay** | | | | |
| Highways and streets | $ 250,000 | $ 250,000 | $ 242,216 | $ 7,784 |
| **Total Expenditures** | **$ 4,083,191** | **$ 4,083,191** | **$ 4,442,193** | **$ (359,002)** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 102,203** | **$ 102,203** | **$ 618,512** | **$ 516,309** |
| **Other Financing Sources (Uses)** | | | | |
| Transfers out | - | - | (17,764) | (17,764) |
| **Net Change in Fund Balance** | **$ 102,203** | **$ 102,203** | **$ 600,748** | **$ 498,545** |
| **Fund Balance - January 1** | **929,531** | **929,531** | **929,531** | **-** |
| **Increase (decrease) in inventories** | **-** | **-** | **(56,870)** | **(56,870)** |
| **Fund Balance - December 31** | **$ 1,031,734** | **$ 1,031,734** | **$ 1,473,409** | **$ 441,675** |

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

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 3***

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Taxes | $ 1,847,805 | $ 1,847,805 | $ 1,794,649 | $ (53,156) |
| Intergovernmental | 2,340,499 | 2,340,499 | 2,288,774 | (51,725) |
| Charges for services | 150,150 | 150,150 | 302,079 | 151,929 |
| Miscellaneous | 155,190 | 155,190 | 132,795 | (22,395) |
| **Total Revenues** | **$ 4,493,644** | **$ 4,493,644** | **$ 4,518,297** | **$ 24,653** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Human Services** | | | | |
| Income maintenance | $ 1,216,940 | $ 1,216,940 | $ 1,272,039 | $ (55,099) |
| Social services | 3,236,805 | 3,236,805 | 3,070,388 | 166,417 |
| **Total human services** | **$ 4,453,745** | **$ 4,453,745** | **$ 4,342,427** | **$ 111,318** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 39,899** | **$ 39,899** | **$ 175,870** | **$ 135,971** |
| **Fund Balance - January 1** | **1,477,505** | **1,477,505** | **1,477,505** | **-** |
| **Fund Balance - December 31** | **$ 1,517,404** | **$ 1,517,404** | **$ 1,653,375** | **$ 135,971** |

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

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 4***

## BUDGETARY COMPARISON SCHEDULE
## DITCH SPECIAL REVENUE FUND
## FOR THE YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Special assessments | $ 152,000 | $ 152,000 | $ 231,792 | $ 79,792 |
| Charges for services | - | - | 10,086 | 10,086 |
| **Total Revenues** | **$ 152,000** | **$ 152,000** | **$ 241,878** | **$ 89,878** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Conservation of natural resources** | | | | |
| Administration | $ - | $ - | $ 475 | $ (475) |
| Ditch maintenance and repairs | 152,000 | 152,000 | 278,550 | (126,550) |
| Middle River/Snake River Watershed | - | - | 309 | (309) |
| Red Lake Watershed | - | - | 166,338 | (166,338) |
| **Total conservation of natural resources** | **$ 152,000** | **$ 152,000** | **$ 445,672** | **$ (293,672)** |
| **Debt service** | | | | |
| Interest | - | - | 1,879 | (1,879) |
| **Total Expenditures** | **$ 152,000** | **$ 152,000** | **$ 447,551** | **$ (295,551)** |
| **Excess of Revenues Over (Under) Expenditures** | **$ -** | **$ -** | **$ (205,673)** | **$ (205,673)** |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | - | - | 17,764 | 17,764 |
| **Net Change in Fund Balance** | **$ -** | **$ -** | **$ (187,909)** | **$ (187,909)** |
| **Fund Balance - January 1** | **442,429** | **442,429** | **442,429** | **-** |
| **Fund Balance - December 31** | **$ 442,429** | **$ 442,429** | **$ 254,520** | **$ (187,909)** |

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

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 5***

## BUDGETARY COMPARISON SCHEDULE
## CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
## FOR THE YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Miscellaneous | $ - | $ - | $ 105,001 | $ 105,001 |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Economic Development** | | | | |
| Airport | - | - | 135,000 | (135,000) |
| **Excess of Revenues Over (Under) Expenditures** | **$ -** | **$ -** | **$ (29,999)** | **$ (29,999)** |
| **Fund Balance - January 1** | **2,165,665** | **2,165,665** | **2,165,665** | **-** |
| **Fund Balance - December 31** | **$ 2,165,665** | **$ 2,165,665** | **$ 2,135,666** | **$ (29,999)** |

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

**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

***Schedule 6***

**SCHEDULE OF FUNDING PROGRESS**
**OTHER POST-EMPLOYMENT BENEFIT PLAN**
**FOR THE YEAR ENDED DECEMBER 31, 2011**

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| January 1, 2008 | $ - | $ 518,648 | $ 518,648 | $ - | $ 4,480,493 | 11.6% |
| January 1, 2011 | - | 493,738 | 493,738 | - | 4,675,993 | 10.6% |

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

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 7***

## SCHEDULE OF EMPLOYER CONTRIBUTIONS
## OTHER POST-EMPLOYMENT BENEFIT PLAN
## FOR THE YEAR ENDED DECEMBER 31, 2011

| Fiscal Year Ended | Annual OPEB Cost | Employer Contribution | Percentage Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| December 31, 2008 | $ 67,942 | $ 12,905 | 19.0% | $ 55,037 |
| December 31, 2009 | 68,453 | 18,603 | 27.2% | 104,887 |
| December 31, 2010 | 68,777 | 20,031 | 29.1% | 153,633 |
| December 31, 2011 | 52,813 | 10,505 | 19.9% | 195,941 |

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

**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

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

## I. Budgetary Information

### A. Budget Policy

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

On or before the last Tuesday in August of each year, all departments and agencies submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds a public hearing, and then a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restrictions of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

### B. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2011:

| | Expenditures | Budget | Excess |
|---|---|---|---|
| General Fund | | | |
| General government | | | |
| Commissioners | $ 245,024 | $ 231,606 | $ (13,418) |
| County reporter | 88 | - | (88) |
| County treasurer | 137,146 | 119,628 | (17,518) |
| Elections | 11,435 | 10,000 | (1,435) |
| Data processing | 129,587 | 128,621 | (966) |
| Buildings and grounds | 296,130 | 295,594 | (536) |
| Other general government | 66,755 | 61,300 | (5,455) |
| Public safety | | | |
| DARE program | 4,172 | 3,500 | (672) |
| Emergency services | 55,494 | 27,000 | (28,494) |
| Jail canteen fund | 55,796 | 36,500 | (19,296) |
| Juvenile justice | 8,614 | 5,000 | (3,614) |
| Law enforcement center | 549,365 | 543,661 | (5,704) |
| Training | 7,792 | 4,000 | (3,792) |

## I. Budgetary Information

### B. Excess of Expenditures Over Budget (Continued)

| | Expenditures | Budget | Excess |
|---|---|---|---|
| Conservation of natural resources | | | |
| Agriculture inspection | $ 39 | $ 35 | $ (4) |
| Road and Bridge Special Revenue Fund | | | |
| Highways and streets | | | |
| Construction | 1,772,858 | 1,491,488 | (281,370) |
| Equipment maintenance and shop | 1,519,339 | 1,445,624 | (73,715) |
| Township roads | 165,970 | - | (165,970) |
| Human Services Special Revenue Fund | | | |
| Human services | | | |
| Income maintenance | 1,272,039 | 1,216,940 | (55,099) |
| Ditch Special Revenue Fund | | | |
| Conservation of natural resources | | | |
| Administration | 475 | - | (475) |
| Ditch maintenance and repairs | 278,550 | 152,000 | (126,550) |
| Middle River/Snake River Watershed | 309 | - | (309) |
| Red Lake Watershed | 166,338 | - | (166,338) |
| Debt service | | | |
| Interest | 1,879 | - | (1,879) |
| Capital Improvement Special Revenue Fund | | | |
| Economic development | | | |
| Airport | 135,000 | - | (135,000) |

## II. Other Post-Employment Benefits (OPEB)

Since the last actuarial valuation as of January 1, 2008, the following actuarial assumptions have been changed:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

- Claim costs were developed by age adjusting the premium information from Pennington County. As of January 1, 2008, premium information, actual claims and enrollment experience were used.

There have been no changes to the plan provisions since the last actuarial valuation as of January 1, 2008. Currently, only two year's actuarial data is available. Future notes will provide additional trend analysis to meet the three actuarial valuations requirement as it becomes available. For more information, refer to the Notes to the Financial Statements Section IV., Other Post-Employment Benefits.

# SUPPLEMENTARY INFORMATION

**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

The Forfeited Tax Sale Special Revenue Fund is used to account for and report proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minnesota Statutes, Chapter 282 and various forest and timber management grants. The net proceeds, after deducting allowable expenses, are restricted to various County funds and taxing districts. Titles to the tax-forfeited lands remains with the State until the lands are sold by the County.

The Solid Waste Special Revenue Fund is used to account for and report solid waste activities. Financing is provided by intergovernmental revenue and user service charges restricted and assigned to various sanitation purposes.

### Debt Service Funds

The Elevator and Long's Bridge Debt Service Fund is used to account for and report the financial resources restricted for the payment of capital improvements bonds, interest, and related costs.

The Highway Capital Improvement Debt Service Fund is used to account for and report the financial resources restricted for the payment of highway capital improvement bonds, interest, and related costs.

The Law Enforcement Radio Debt Service Fund is used to account for and report the financial resources restricted for the payment of law enforcement radio bonds, interest, and related costs.

The Minimum Security Facility Debt Service Fund is used to account for and report the financial resources restricted for the payment of minimum security facility bonds, interest, and related costs.

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Statement 1***

## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS
## DECEMBER 31, 2011

| | Solid Waste Special Revenue | Debt Service (Statement 4) | Total Nonmajor Governmental Funds (Exhibit 3) |
|---|---|---|---|
| **Assets** | | | |
| Cash and pooled investments | $ 381,752 | $ 422,998 | $ 804,750 |
| Taxes receivable - prior | 298 | 10,593 | 10,891 |
| Contracts receivable | - | 46,500 | 46,500 |
| Advances to other funds | 193,071 | - | 193,071 |
| **Total Assets** | **$ 575,121** | **$ 480,091** | **$ 1,055,212** |
| **Liabilities and Fund Balances** | | | |
| **Liabilities** | | | |
| Accounts payable | $ 1,870 | $ - | $ 1,870 |
| Due to other governments | 1,043 | - | 1,043 |
| Deferred revenue - unavailable | 234 | 54,807 | 55,041 |
| **Total Liabilities** | **$ 3,147** | **$ 54,807** | **$ 57,954** |
| **Fund Balances** | | | |
| Non-spendable | | | |
| Advances to other funds | $ 193,071 | $ - | $ 193,071 |
| Restricted for debt service | - | 425,284 | 425,284 |
| Assigned to sanitation | 378,903 | - | 378,903 |
| **Total Fund Balances** | **$ 571,974** | **$ 425,284** | **$ 997,258** |
| **Total Liabilities and Fund Balances** | **$ 575,121** | **$ 480,091** | **$ 1,055,212** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Statement 2***

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

| | Special Revenue (Statement 3) | Debt Service (Statement 5) | Total Nonmajor Governmental Funds (Exhibit 5) |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 18 | $ 225,276 | $ 225,294 |
| Intergovernmental | 55,950 | 68,570 | 124,520 |
| Miscellaneous | 4,893 | - | 4,893 |
| **Total Revenues** | **$ 60,861** | **$ 293,846** | **$ 354,707** |
| **Expenditures** | | | |
| **Current** | | | |
| Sanitation | $ 50,763 | $ - | $ 50,763 |
| Conservation of natural resources | 15 | - | 15 |
| **Total Current** | **$ 50,778** | **$ -** | **$ 50,778** |
| **Debt Service** | | | |
| Principal retirement | $ - | $ 230,000 | $ 230,000 |
| Interest | - | 48,579 | 48,579 |
| **Total Debt Service** | **$ -** | **$ 278,579** | **$ 278,579** |
| **Total Expenditures** | **$ 50,778** | **$ 278,579** | **$ 329,357** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 10,083** | **$ 15,267** | **$ 25,350** |
| **Fund Balance - January 1** | **561,891** | **410,017** | **971,908** |
| **Fund Balance - December 31** | **$ 571,974** | **$ 425,284** | **$ 997,258** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Statement 3***

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

| | Forfeited Tax Sale | Solid Waste | Total (Statement 2) |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ - | $ 18 | $ 18 |
| Intergovernmental | - | 55,950 | 55,950 |
| Miscellaneous | 15 | 4,878 | 4,893 |
| **Total Revenues** | **$ 15** | **$ 60,846** | **$ 60,861** |
| **Expenditures** | | | |
| **Current** | | | |
| Sanitation | $ - | $ 50,763 | $ 50,763 |
| Conservation of natural resources | 15 | - | 15 |
| **Total Expenditures** | **$ 15** | **$ 50,763** | **$ 50,778** |
| **Excess of Revenues Over (Under) Expenditures** | **$ -** | **$ 10,083** | **$ 10,083** |
| **Fund Balance - January 1** | **-** | **561,891** | **561,891** |
| **Fund Balance - December 31** | **$ -** | **$ 571,974** | **$ 571,974** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

## COMBINING BALANCE SHEET
## NONMAJOR DEBT SERVICE FUNDS
## DECEMBER 31, 2011

| | Elevator and Long's Bridge | Highway Capital Improvement |
|---|---|---|
| **Assets** | | |
| Cash and pooled investments | $ 48,556 | $ 185,432 |
| Taxes receivable - prior | 1,499 | 4,788 |
| Contracts receivable | - | - |
| **Total Assets** | **$ 50,055** | **$ 190,220** |
| **Liabilities and Fund Balances** | | |
| **Liabilities** | | |
| Deferred revenue - unavailable | $ 1,175 | $ 3,755 |
| **Fund Balances** | | |
| Restricted for debt service | 48,880 | 186,465 |
| **Total Liabilities and Fund Balances** | **$ 50,055** | **$ 190,220** |

***Statement 4***

| Law Enforcement Radio | Minimum Security Facility | Total (Statement 1) |
|---|---|---|
| $ 88,780 | $ 100,230 | $ 422,998 |
| 1,501 | 2,805 | 10,593 |
| 46,500 | - | 46,500 |
| **$ 136,781** | **$ 103,035** | **$ 480,091** |
| $ 47,677 | $ 2,200 | $ 54,807 |
| 89,104 | 100,835 | 425,284 |
| **$ 136,781** | **$ 103,035** | **$ 480,091** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

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

| | Elevator and Long's Bridge | Highway Capital Improvement |
|---|---|---|
| **Revenues** | | |
| Taxes | $ 1,091 | $ 139,486 |
| Intergovernmental | - | 13,785 |
| **Total Revenues** | **$ 1,091** | **$ 153,271** |
| **Expenditures** | | |
| **Debt Service** | | |
| Principal retirement | $ 55,000 | $ 60,000 |
| Interest | 963 | 33,005 |
| **Total Expenditures** | **$ 55,963** | **$ 93,005** |
| **Excess of Revenues Over (Under) Expenditures** | **$ (54,872)** | **$ 60,266** |
| **Fund Balance - January 1** | **103,752** | **126,199** |
| **Fund Balance - December 31** | **$ 48,880** | **$ 186,465** |

***Statement 5***

| Law Enforcement Radio | Minimum Security Facility | Total (Statement 2) |
|---|---|---|
| $ 22,264 | $ 62,435 | $ 225,276 |
| 48,663 | 6,122 | 68,570 |
| **$ 70,927** | **$ 68,557** | **$ 293,846** |
| $ 55,000 | $ 60,000 | $ 230,000 |
| 8,489 | 6,122 | 48,579 |
| **$ 63,489** | **$ 66,122** | **$ 278,579** |
| **$ 7,438** | **$ 2,435** | **$ 15,267** |
| **81,666** | **98,400** | **410,017** |
| **$ 89,104** | **$ 100,835** | **$ 425,284** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 8***

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Miscellaneous | $ 10,000 | $ 10,000 | $ 15 | $ (9,985) |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Conservation of natural resources** | | | | |
| Forfeited land | 10,000 | 10,000 | 15 | 9,985 |
| **Excess of Revenues Over (Under) Expenditures** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Fund Balance - January 1** | - | - | - | - |
| **Fund Balance - December 31** | **$ -** | **$ -** | **$ -** | **$ -** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 9***

## BUDGETARY COMPARISON SCHEDULE
## SOLID WASTE SPECIAL REVENUE FUND
## FOR THE YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Intergovernmental | $ 55,000 | $ 55,000 | $ 55,950 | $ 950 |
| Miscellaneous | 10,000 | 10,000 | 4,878 | (5,122) |
| **Total Revenues** | **$ 65,000** | **$ 65,000** | **$ 60,828** | **$ (4,172)** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Sanitation** | | | | |
| Solid waste | $ 6,600 | $ 6,600 | $ 7,786 | $ (1,186) |
| Recycling | 55,000 | 55,000 | 42,977 | 12,023 |
| **Total Expenditures** | **$ 61,600** | **$ 61,600** | **$ 50,763** | **$ 10,837** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 3,400** | **$ 3,400** | **$ 10,065** | **$ 6,665** |
| **Fund Balance - January 1** | **561,891** | **561,891** | **561,891** | **-** |
| **Fund Balance - December 31** | **$ 565,291** | **$ 565,291** | **$ 571,956** | **$ 6,665** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 10***

## BUDGETARY COMPARISON SCHEDULE
## ELEVATOR AND LONG'S BRIDGE DEBT SERVICE FUND
## FOR THE YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Taxes | $ 175 | $ 175 | $ 1,091 | $ 916 |
| **Expenditures** | | | | |
| **Debt service** | | | | |
| Principal retirement | $ 55,000 | $ 55,000 | $ 55,000 | $ - |
| Interest | 963 | 963 | 963 | - |
| **Total Expenditures** | **$ 55,963** | **$ 55,963** | **$ 55,963** | **$ -** |
| **Excess of Revenues Over (Under) Expenditures** | **$ (55,788)** | **$ (55,788)** | **$ (54,872)** | **$ 916** |
| **Fund Balance - January 1** | **103,752** | **103,752** | **103,752** | **-** |
| **Fund Balance - December 31** | **$ 47,964** | **$ 47,964** | **$ 48,880** | **$ 916** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 11***

## BUDGETARY COMPARISON SCHEDULE
## HIGHWAY CAPITAL IMPROVEMENT DEBT SERVICE FUND
## FOR THE YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Amounts | Positive (Negative) |
| **Revenues** | | | | |
| Taxes | $ 145,890 | $ 145,890 | $ 139,486 | $ (6,404) |
| Intergovernmental | 11,100 | 11,100 | 13,785 | 2,685 |
| **Total Revenues** | **$ 156,990** | **$ 156,990** | **$ 153,271** | **$ (3,719)** |
| **Expenditures** | | | | |
| **Debt service** | | | | |
| Principal retirement | $ 60,000 | $ 60,000 | $ 60,000 | $ - |
| Interest | 33,043 | 33,043 | 33,005 | 38 |
| **Total Expenditures** | **$ 93,043** | **$ 93,043** | **$ 93,005** | **$ 38** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 63,947** | **$ 63,947** | **$ 60,266** | **$ (3,681)** |
| **Fund Balance - January 1** | **126,199** | **126,199** | **126,199** | **-** |
| **Fund Balance - December 31** | **$ 190,146** | **$ 190,146** | **$ 186,465** | **$ (3,681)** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 12***

## BUDGETARY COMPARISON SCHEDULE
## LAW ENFORCEMENT RADIO DEBT SERVICE FUND
## FOR THE YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Taxes | $ 17,576 | $ 17,576 | $ 22,264 | $ 4,688 |
| Intergovernmental | 54,319 | 54,319 | 48,663 | (5,656) |
| **Total Revenues** | **$ 71,895** | **$ 71,895** | **$ 70,927** | **$ (968)** |
| **Expenditures** | | | | |
| **Debt service** | | | | |
| Principal retirement | $ 55,000 | $ 55,000 | $ 55,000 | $ - |
| Interest | 8,508 | 8,508 | 8,489 | 19 |
| **Total Expenditures** | **$ 63,508** | **$ 63,508** | **$ 63,489** | **$ 19** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 8,387** | **$ 8,387** | **$ 7,438** | **$ (949)** |
| **Fund Balance - January 1** | **81,666** | **81,666** | **81,666** | **-** |
| **Fund Balance - December 31** | **$ 90,053** | **$ 90,053** | **$ 89,104** | **$ (949)** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 13***

## BUDGETARY COMPARISON SCHEDULE
## MINIMUM SECURITY FACILITY DEBT SERVICE FUND
## FOR THE YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Amounts | Positive (Negative) |
| **Revenues** | | | | |
| Taxes | $ 61,922 | $ 61,922 | $ 62,435 | $ 513 |
| Intergovernmental | 8,800 | 8,800 | 6,122 | (2,678) |
| **Total Revenues** | **$ 70,722** | **$ 70,722** | **$ 68,557** | **$ (2,165)** |
| **Expenditures** | | | | |
| **Debt service** | | | | |
| Principal retirement | $ 60,000 | $ 60,000 | $ 60,000 | $ - |
| Interest | 6,160 | 6,160 | 6,122 | 38 |
| **Total Expenditures** | **$ 66,160** | **$ 66,160** | **$ 66,122** | **$ 38** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 4,562** | **$ 4,562** | **$ 2,435** | **$ (2,127)** |
| **Fund Balance - January 1** | **98,400** | **98,400** | **98,400** | **-** |
| **Fund Balance - December 31** | **$ 102,962** | **$ 102,962** | **$ 100,835** | **$ (2,127)** |

**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

## AGENCY FUNDS

The Group Insurance Agency Fund is used to account for the employer's share of group insurance. Funds are provided for payment of the insurance from the General Fund and special revenue funds.

The Inter-County Nursing Service Agency Fund is used to account for the cash transactions of the Inter-County Nursing Service.

The Northwest Minnesota Housing Redevelopment Authority Agency Fund is used to account for the collection and payment of funds due to the Northwest Minnesota Housing and Redevelopment Authority.

The Northwest Regional Development Commission Agency Fund is used to account for the collection and payment of funds due to the Northwest Regional Development Commission.

The Prepaid Taxes Agency Fund is used to account for the payment of taxes prior to the preparation of tax statements or prior to January 1 of the year due.

The School Districts Agency Fund is used to account for the collection and payment of funds due to school districts.

The State Agency Fund is used to account for the collection and payment of funds due to the State of Minnesota.

The Taxes and Penalties Agency Fund is used to account for the collection of taxes, penalties, and special assessments and their payment to the various County funds and taxing districts.

The Towns and Cities Agency Fund is used to account for the collection and payment of funds due to towns and cities.

The Watersheds Agency Fund is used to account for the collection and payment of funds due to watershed districts.

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Statement 6***

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
## ALL AGENCY FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2011

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|---|---|---|---|
| **GROUP INSURANCE** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | $ 26,777 | $ 1,403,389 | $ 1,403,741 | $ 26,425 |
| **Liabilities** | | | | |
| Accounts payable | $ 26,777 | $ 1,403,389 | $ 1,403,741 | $ 26,425 |
| **INTER-COUNTY NURSING SERVICE** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | $ 302,517 | $ 1,004,017 | $ 1,056,633 | $ 249,901 |
| **Liabilities** | | | | |
| Due to other governments | $ 302,517 | $ 1,004,017 | $ 1,056,633 | $ 249,901 |
| **NORTHWEST MINNESOTA HOUSING REDEVELOPMENT AUTHORITY** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | $ - | $ 35,596 | $ 35,596 | $ - |
| **Liabilities** | | | | |
| Due to other governments | $ - | $ 35,596 | $ 35,596 | $ - |
| **NORTHWEST REGIONAL DEVELOPMENT COMMISSION** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | $ - | $ 22,603 | $ 22,603 | $ - |
| **Liabilities** | | | | |
| Due to other governments | $ - | $ 22,603 | $ 22,603 | $ - |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Statement 6***
***(Continued)***

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
## ALL AGENCY FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2011

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|---|---|---|---|
| **PREPAID TAXES** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ 16,332** | **$ 34,913** | **$ 23,372** | **$ 27,873** |
| **Liabilities** | | | | |
| Due to other funds | **$ 16,332** | **$ 34,913** | **$ 23,372** | **$ 27,873** |
| **SCHOOL DISTRICTS** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ -** | **$ 3,609,880** | **$ 3,609,880** | **$ -** |
| **Liabilities** | | | | |
| Due to other governments | **$ -** | **$ 3,609,880** | **$ 3,609,880** | **$ -** |
| **STATE** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ 20,772** | **$ 1,607,606** | **$ 1,597,769** | **$ 30,609** |
| **Liabilities** | | | | |
| Due to other governments | **$ 20,772** | **$ 1,607,606** | **$ 1,597,769** | **$ 30,609** |
| **TAXES AND PENALTIES** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | $ 229,117 | $ 14,583,905 | $ 14,600,766 | $ 212,256 |
| Due from other funds | 16,332 | 27,873 | 16,332 | 27,873 |
| **Total Assets** | **$ 245,449** | **$ 14,611,778** | **$ 14,617,098** | **$ 240,129** |
| **Liabilities** | | | | |
| Due to other governments | **$ 245,449** | **$ 14,611,778** | **$ 14,617,098** | **$ 240,129** |

**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

***Statement 6***
***(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
**ALL AGENCY FUNDS**
**FOR THE YEAR ENDED DECEMBER 31, 2011**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|---|---|---|---|
| **TOWNS AND CITIES** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ 13** | **$ 2,435,364** | **$ 2,435,377** | **$ -** |
| **Liabilities** | | | | |
| Due to other governments | **$ 13** | **$ 2,435,364** | **$ 2,435,377** | **$ -** |
| **WATERSHEDS** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ -** | **$ 443,342** | **$ 443,342** | **$ -** |
| **Liabilities** | | | | |
| Due to other governments | **$ -** | **$ 443,342** | **$ 443,342** | **$ -** |
| **TOTAL ALL AGENCY FUNDS** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | $ 595,528 | $ 25,180,615 | $ 25,229,079 | $ 547,064 |
| Due from other funds | 16,332 | 27,873 | 16,332 | 27,873 |
| **Total Assets** | **$ 611,860** | **$ 25,208,488** | **$ 25,245,411** | **$ 574,937** |
| **Liabilities** | | | | |
| Accounts payable | $ 26,777 | $ 1,403,389 | $ 1,403,741 | $ 26,425 |
| Due to other funds | 16,332 | 34,913 | 23,372 | 27,873 |
| Due to other governments | 568,751 | 23,770,186 | 23,818,298 | 520,639 |
| **Total Liabilities** | **$ 611,860** | **$ 25,208,488** | **$ 25,245,411** | **$ 574,937** |

# OTHER SCHEDULES

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

## BALANCE SHEET - BY DITCH
## DITCH SPECIAL REVENUE FUND
## DECEMBER 31, 2011

| | Assets | | |
|---|---|---|---|
| | Cash and Pooled Investments | Special Assessments Receivable | |
| | | Prior | Noncurrent |
| **County Ditches** | | | |
| 1 - Rocksbury/North | $ 1,387 | $ 55 | $ - |
| 1 - Rocksbury/Sanders | 10,655 | - | - |
| 16 | 6,444 | 25 | - |
| 21 | 4,671 | 303 | - |
| 22 | - | - | - |
| 32 | 12,855 | - | - |
| 33 | 724 | 2 | - |
| 35 | 7,187 | 28 | - |
| 36 | 33,975 | 106 | - |
| 37 | 6,754 | - | - |
| 38 | 2,179 | 611 | - |
| 39 | 2,250 | 233 | - |
| 41 | 44,547 | 663 | - |
| 42 | 1,243 | - | - |
| 43 | 1,996 | 159 | - |
| 44 | 29,092 | 121 | - |
| 45 | 8,645 | 112 | - |
| 46 | 6,504 | 15 | - |
| 47 | 10,021 | 4 | - |
| 51 | - | 1 | - |
| 53 | 2,145 | 18 | - |
| 55 | 1,966 | 7 | - |
| 57 | 1,796 | 165 | - |
| 58 | 12,868 | 18 | - |
| 59 | 653 | 41 | - |
| 62 | 9,011 | 131 | - |
| 70 | 46,583 | 60 | - |
| 71 | 7,062 | - | - |
| 73 | 764 | 4 | - |
| 74 | 1,208 | - | - |
| 75 | 7,923 | 482 | - |
| 77 | 17,850 | - | - |
| 96 | 6,971 | 748 | - |
| 109-2 | - | - | 28,099 |
| **Joint County Ditches** | | | |
| 1 | 1,659 | 414 | - |
| 11 | 7,888 | - | - |
| 13 | 18,417 | 1,032 | - |
| 15 | 11,830 | 353 | - |
| 18 | 35,548 | 79 | - |
| 25 - Branch 3 | 8,120 | 505 | - |
| 30 | 13,261 | 172 | - |
| 30 - Branch A | 2,144 | - | - |
| 31 | 832 | - | - |
| 60 | 477 | - | - |
| 13 Red Lk/Penn | 720 | - | - |
| **Watershed Ditches** | | | |
| JD 14 | 109 | - | - |
| 109 - Red Lk Watershed | 496 | 2 | - |
| 122 - Challenger Project | 27 | 426 | - |
| Red Lake Watershed 13 | 3,456 | - | - |
| Red Lake Watershed 14 | 8,848 | - | - |
| RLWD - Water Mngmt District 1 | 21,192 | - | - |
| **Total** | **$ 442,953** | **$ 7,095** | **$ 28,099** |

***Schedule 14***

| Due from Other Governments | Due from Other Ditches | Total |
|---|---|---|
| $ - | $ - | $ 1,442 |
| - | - | 10,655 |
| - | - | 6,469 |
| - | - | 4,974 |
| - | - | - |
| - | - | 12,855 |
| - | - | 726 |
| - | - | 7,215 |
| - | - | 34,081 |
| - | - | 6,754 |
| - | - | 2,790 |
| - | - | 2,483 |
| - | - | 45,210 |
| - | - | 1,243 |
| - | - | 2,155 |
| - | - | 29,213 |
| - | - | 8,757 |
| - | - | 6,519 |
| - | - | 10,025 |
| - | - | 1 |
| - | - | 2,163 |
| - | - | 1,973 |
| - | - | 1,961 |
| - | - | 12,886 |
| - | - | 694 |
| - | - | 9,142 |
| - | - | 46,643 |
| - | - | 7,062 |
| - | - | 768 |
| - | - | 1,208 |
| - | - | 8,405 |
| - | - | 17,850 |
| - | 39,000 | 46,719 |
| - | - | 28,099 |
| 4,839 | - | 6,912 |
| 2 | - | 7,890 |
| 3,196 | - | 22,645 |
| 207 | - | 12,390 |
| 49 | - | 35,676 |
| 30,305 | 44,000 | 82,930 |
| 372 | 45,000 | 58,805 |
| - | - | 2,144 |
| 1,221 | - | 2,053 |
| - | - | 477 |
| - | - | 720 |
| - | - | 109 |
| - | - | 498 |
| - | - | 453 |
| - | - | 3,456 |
| - | - | 8,848 |
| - | - | 21,192 |
| **$ 40,191** | **$ 128,000** | **$ 646,338** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

## BALANCE SHEET - BY DITCH
## DITCH SPECIAL REVENUE FUND
## DECEMBER 31, 2010

| | Liabilities | | | |
|---|---|---|---|---|
| | Due to Other Funds | Due to Other Governments | Deferred Revenue | Advances from Other Funds |
| **County Ditches** | | | | |
| 1 - Rocksbury/North | $ - | $ - | $ 43 | $ - |
| 1 - Rocksbury/Sanders | - | - | - | - |
| 16 | - | - | 20 | - |
| 21 | - | - | 238 | - |
| 22 | - | - | - | 481 |
| 32 | - | - | - | - |
| 33 | - | - | - | - |
| 35 | - | - | 22 | - |
| 36 | - | - | 83 | - |
| 37 | - | - | - | - |
| 38 | 264 | - | 479 | - |
| 39 | - | - | 183 | - |
| 41 | - | - | 520 | - |
| 42 | - | - | - | - |
| 43 | - | - | 125 | - |
| 44 | - | - | 95 | - |
| 45 | - | - | 88 | - |
| 46 | - | - | 12 | - |
| 47 | - | - | 3 | - |
| 51 | - | - | 1 | - |
| 53 | - | - | 14 | - |
| 55 | - | - | 5 | - |
| 57 | - | - | 129 | - |
| 58 | - | - | 14 | - |
| 59 | - | - | 32 | - |
| 62 | 206 | - | 103 | - |
| 70 | - | - | 47 | - |
| 71 | - | - | - | - |
| 73 | - | - | 3 | - |
| 74 | - | - | - | - |
| 75 | - | - | 378 | - |
| 77 | - | - | - | - |
| 96 | - | - | 587 | - |
| 109-2 | - | - | 28,099 | 28,234 |
| **Joint County Ditches** | | | | |
| 1 | - | 6,019 | 325 | - |
| 11 | - | 60 | - | - |
| 13 | - | - | 809 | - |
| 15 | - | 162 | 277 | - |
| 18 | - | - | 62 | - |
| 25 - Branch 3 | - | - | 30,701 | - |
| 30 | - | - | 135 | - |
| 30 - Branch A | - | - | - | - |
| 31 | - | 29 | - | - |
| 60 | - | 3 | - | - |
| 31 Red Lk/Penn | - | 36 | - | - |
| **Watershed Ditches** | | | | |
| JD 14 | - | - | - | - |
| 109 - Red Lk Watershed | - | - | 2 | - |
| 122 - Challenger Project | - | - | 334 | - |
| Red Lake Watershed 13 | - | - | - | 164,356 |
| Red Lake Watershed 14 | - | - | - | - |
| RLWD - Water Mngmt District 1 | - | - | - | - |
| **Total** | **$ 470** | **$ 6,309** | **$ 63,968** | **$ 193,071** |

***Schedule 14***
***(Continued)***

| Due to Other Ditches | Total | Fund Balances Restricted for Conservation of Natural Resources | Total Liabilities and Fund Balances |
|---|---|---|---|
| $ - | $ 43 | $ 1,399 | $ 1,442 |
| - | - | 10,655 | 10,655 |
| - | 20 | 6,449 | 6,469 |
| - | 238 | 4,736 | 4,974 |
| - | 481 | (481) | - |
| - | - | 12,855 | 12,855 |
| - | - | 726 | 726 |
| - | 22 | 7,193 | 7,215 |
| - | 83 | 33,998 | 34,081 |
| - | - | 6,754 | 6,754 |
| 39,000 | 39,743 | (36,953) | 2,790 |
| 15,000 | 15,183 | (12,700) | 2,483 |
| - | 520 | 44,690 | 45,210 |
| 9,000 | 9,000 | (7,757) | 1,243 |
| 19,000 | 19,125 | (16,970) | 2,155 |
| - | 95 | 29,118 | 29,213 |
| - | 88 | 8,669 | 8,757 |
| - | 12 | 6,507 | 6,519 |
| - | 3 | 10,022 | 10,025 |
| - | 1 | - | 1 |
| 9,000 | 9,014 | (6,851) | 2,163 |
| 16,000 | 16,005 | (14,032) | 1,973 |
| 14,000 | 14,129 | (12,168) | 1,961 |
| - | 14 | 12,872 | 12,886 |
| 1,000 | 1,032 | (338) | 694 |
| - | 309 | 8,833 | 9,142 |
| - | 47 | 46,596 | 46,643 |
| - | - | 7,062 | 7,062 |
| - | 3 | 765 | 768 |
| - | - | 1,208 | 1,208 |
| - | 378 | 8,027 | 8,405 |
| - | - | 17,850 | 17,850 |
| - | 587 | 46,132 | 46,719 |
| - | 56,333 | (28,234) | 28,099 |
| 2,500 | 8,844 | (1,932) | 6,912 |
| - | 60 | 7,830 | 7,890 |
| 1,000 | 1,809 | 20,836 | 22,645 |
| - | 439 | 11,951 | 12,390 |
| - | 62 | 35,614 | 35,676 |
| - | 30,701 | 52,229 | 82,930 |
| - | 135 | 58,670 | 58,805 |
| - | - | 2,144 | 2,144 |
| 2,500 | 2,529 | (476) | 2,053 |
| - | 3 | 474 | 477 |
| - | 36 | 684 | 720 |
| - | - | 109 | 109 |
| - | 2 | 496 | 498 |
| - | 334 | 119 | 453 |
| - | 164,356 | (160,900) | 3,456 |
| - | - | 8,848 | 8,848 |
| - | - | 21,192 | 21,192 |
| **$ 128,000** | **$ 391,818** | **$ 254,520** | **$ 646,338** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 15***

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

| | | |
|---|---|---|
| **Shared Revenue** | | |
| **State** | | |
| County program aid | $ | 820,412 |
| Disparity reduction aid | | 94,080 |
| Enhanced 911 | | 87,186 |
| Highway users tax | | 3,238,192 |
| Market value credit | | 479,036 |
| PERA rate reimbursement | | 16,385 |
| Police state aid | | 53,217 |
| **Total Shared Revenue** | **$** | **4,788,508** |
| **Payments** | | |
| Payments in lieu of taxes | $ | 37,199 |
| City of Thief River Falls | | 46,544 |
| Marshall County | | 30,000 |
| **Total Payments** | **$** | **113,743** |
| **Grants** | | |
| **State** | | |
| **Minnesota Department/Board of** | | |
| Corrections | $ | 28,617 |
| Human Services | | 715,440 |
| Natural Resources | | 70,714 |
| Peace Officers Standards and Training | | 4,166 |
| Pollution Control | | 55,950 |
| Public Safety | | 124,359 |
| Transportation | | 93,825 |
| Veterans Affairs | | 25,000 |
| Water and Soil Resources | | 113,719 |
| **Total State** | **$** | **1,231,790** |
| **Federal** | | |
| **Department of** | | |
| Agriculture | $ | 105,315 |
| Commerce | | 18,838 |
| Health and Human Services | | 1,126,996 |
| Homeland Security | | 6,512 |
| **Total Federal** | **$** | **1,257,661** |
| **Total Grants** | **$** | **2,489,451** |
| **Total Intergovernmental Revenue** | **$** | **7,391,702** |

# MANAGEMENT AND COMPLIANCE SECTION

**PENNINGTON COUNTY**
**THIEF RIVER FALLS, MINNESOTA**

***Schedule 16***

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

## I. SUMMARY OF AUDITOR'S RESULTS

A. Our report expresses an unqualified opinion on the financial statements of Pennington County.

B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Pennington 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*." The significant deficiencies were not material weaknesses.

C. No instances of noncompliance material to the financial statements of Pennington 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 "Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."

E. The Auditor's Report on Compliance for the major federal award programs for Pennington 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 were:

Social Services Block Grant Title XX, CFDA #93.667
Medical Assistance Program, CFDA #93.778.

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

I. Pennington County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Segregation of Duties

Due to the limited number of personnel within several County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Pennington County; however, the County's 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 accounting control point of view.

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

We recommend that Pennington County's management be aware of the absence of segregation of duties within the accounting and data processing functions and, if possible, implement oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

County's Response:

*Management is aware of this and will provide oversight where needed.*

07-1 Internal Controls

The financial statements are the responsibility of the County's management. Internal control over financial reporting is a process designed to provide reasonable assurance about the achievement of the County's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the County's objective of reliable financial reporting. In this section, the term financial reporting relates to the preparation of reliable financial statements that are fairly presented in conformity with GAAP.

Management must implement internal controls over financial reporting and safeguarding of assets, and continue to be aware of their responsibility and obtain suitable knowledge to sufficiently review, understand, and approve the County's financial statements, including notes.

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

None.

## IV. OTHER FINDINGS AND RECOMMENDATIONS

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-7 Ditch Special Revenue Fund Balance Deficits

Thirteen of the 51 active individual ditch systems had deficit fund balances at December 31, 2011, totaling $299,792, the largest being $160,900. Minnesota Statute, § 103E.735, subdivision 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or $40,000, whichever is larger.

We recommend that the County eliminate the individual ditch system fund balance deficits by levying assessments pursuant to Minnesota Statute, § 103E.735, which permits the accumulation of a surplus balance for future repairs and maintenance costs of a ditch system.

County's Response:

*The County Board levies each year in an attempt to provide enough funds to cover estimated work planned for in the coming year. Sometimes more work is required than the County Board feels the benefited owners can afford to pay in one year. The Board then spreads the levy over a number of years.*

HOFFMAN, DALE, & SWENSON, PLLC

GOVERNMENTAL AUDIT SERVICES

Colleen Hoffman, Manager
Gordon Dale, CPA
Audrey Swenson, CPA

1541 Hwy. 59 South
Thief River Falls, MN 56701
Phone: 218-681-4078
Fax: 218-681-4079
choffman@mncable.net

# 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
Pennington County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pennington County as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 10, 2012. 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-1 and 07-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: depositories of public funds and public investments, conflicts of interest, public indebtedness, contracting - bid laws, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories. The results of our tests indicate that for the items tested, the Pennington County complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment, item 96-7. We believe this recommendation to be of benefit to Pennington County and is reported for that purpose.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, 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.

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 10, 2012

HOFFMAN, DALE, & SWENSON, PLLC

GOVERNMENTAL AUDIT SERVICES

Colleen Hoffman, Manager
Gordon Dale, CPA
Audrey Swenson, CPA

1541 Hwy. 59 South
Thief River Falls, MN 56701
Phone: 218-681-4078
Fax: 218-681-4079
choffman@mncable.net

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

Board of County Commissioners
Pennington County

## Compliance

We have audited Pennington County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the year ended December 31, 2011. The 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 its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Pennington County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Pennington 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pennington County as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 10, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, 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.

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 10, 2012

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 17***

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

| Federal Grantor<br>Pass Through Agency<br>Grant Program Title | Federal<br>CFDA<br>Number | | Expenditures |
|---|---|---|---|
| **U.S. Department of Agriculture** | | | |
| Passed Through Minnesota Department of Human Services | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | **$ 105,315** |
| **U.S. Department of Commerce** | | | |
| Passed Through Headwaters Regional Development Commission | | | |
| Public Safety Interoperable Communications Grant Program | 11.555 | | **$ 18,838** |
| **U.S. Department of Election Assistance Commission** | | | |
| Passed Through Minnesota Department of Secretary of State | | | |
| Help America Vote Act | 90.401 | | **$ 9,073** |
| **U.S. Department of Health and Human Services** | | | |
| Passed Through Northwest Regional Development Commission/Northwest Area Agency on Aging | | | |
| Special Programs for the Aging - Title III B | 93.044 | | $ 7,115 |
| Passed Through Minnesota Department of Human Services | | | |
| Promoting Safe and Stable Families | 93.556 | | 2,322 |
| Temporary Assistance for Needy Families Cluster | | | |
| Temporary Assistance for Needy Families | 93.558 | $ 106,588 | |
| ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program | 93.714 | 4,555 | |
| Total Temporary Assistance for Needy Families Cluster | | | 111,143 |
| Child Support Enforcement | 93.563 | | 303,909 |
| Child Care and Development Fund Cluster | | | |
| Child Care and Development Block Grant | 93.575 | 2,465 | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 2,633 | |
| Total Child Care and Development Fund Cluster | | | 5,098 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | | 1,750 |
| Foster Care Title IV-E | 93.658 | | 121,677 |
| Social Services Block Grant | 93.667 | | 136,303 |
| Chafee Foster Care Independence Program | 93.674 | | 2,221 |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

***Schedule 17***
***(Continued)***

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

| Federal Grantor<br>Pass Through Agency<br>Grant Program Title | Federal<br>CFDA<br>Number | Expenditures |
|---|---|---|
| **U.S. Department of Health and Human Services** | | |
| Passed Through Minnesota Department of Human Services (Continued) | | |
| Children's Health Insurance Program | 93.767 | 70 |
| Medical Assistance Program | 93.778 | 410,388 |
| Block Grants for Community Mental Health Services | 93.958 | 25,000 |
| **Total U.S. Department of Health and Human Services** | | **$ 1,126,996** |
| **U.S. Department of Homeland Security** | | |
| Passed Through Headwaters Regional Development Commission | | |
| Homeland Security Grant Program | 97.067 | **$ 6,512** |
| **Total Federal Awards** | | **$ 1,266,734** |

# PENNINGTON COUNTY
# THIEF RIVER FALLS, MINNESOTA

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

### I. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Pennington County. The County's reporting entity is defined in Note I to the financial statements.

### II. Basis of Presentation

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

### III. Summary of Significant Accounting Policies

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

### IV. Reconciliation to Schedule of Intergovernmental Revenue

| | |
|---|---|
| Federal grant revenue per Schedule of Intergovernmental Revenue | $ 1,257,661 |
| Plus: Help America Vote Act grant received in prior years and expended in current year | 9,073 |
| Expenditures per Schedule of Expenditures of Federal Awards | $ 1,266,734 |

### V. Subrecipients

During 2011, the County did not pass any federal money to subrecipients.

### VI. American Recovery and Reinvestment Act

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