

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

YEAR ENDED DECEMBER 31, 2009

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

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THIEF RIVER FALLS, MINNESOTA**

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INTRODUCTORY SECTION

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2009**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1 st District	Donald Jensen	January 2013
2 nd District	Robert Carlson,	January 2011
3 rd District	Charles Naplin *	January 2011
4 th District	Darryl Tveitbakk	January 2011
5 th District	Oliver "Skip" Swanson	January 2013
Officers		
Elected:		
Attorney	Alan Rogalla	January 2011
Auditor	Kenneth Olson	January 2011
Coroner	Richard Heinrichs	January 2011
Recorder	Kenneth Schmalz	January 2011
Sheriff	Michael Hruby	January 2011
Treasurer	Vickie Bjorgaard	January 2011
Appointed:		
Assessor	Adeline Olson	January 2013
Highway Engineer	Michael Flaagan	May 2011
Human Services Director	Kenneth Yutzenka	Indefinite
Solid Waste Officer	Howard Person	Indefinite
Veterans Service Officer	Steve Stone	Indefinite

* Chair

FINANCIAL SECTION



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

GOVERNMENTAL AUDIT SERVICES

1845 Highway 59 South
Suite 1100
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, 2009, 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 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, 2009, 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 16, 2010, 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.

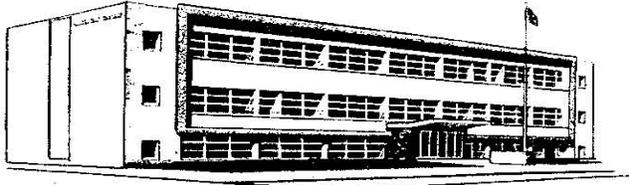
The Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures,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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pennington County's basic financial statements. The introductory section and the supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Pennington County. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

September 16, 2010



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, 2009. 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 \$57,972,779, of which \$48,628,250 is invested in capital assets, net of related debt, \$2,020,567 is restricted for specific purposes, and \$7,323,962 is unrestricted. The total net assets of governmental activities increased by \$1,398,142 for the year ended December 31, 2009, as a result of highway construction projects financed by County State Aid Highway funding.

At the close of 2009, the County's governmental funds reported combined ending fund balances of \$9,522,515, an increase of \$985,666, from the prior year. Of the total fund balance amount, \$1,497,133 is legally or contractually reserved, \$6,591,060 is designated for specific purposes, and \$1,434,322 is noted as unreserved, undesignated fund balance. 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.

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, and the Capital Improvement Special Revenue Fund, all of which are considered to be major funds. Data from the other three special revenue funds and the five 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 7, Combining Statement of Changes in Assets and Liabilities, All Agency Funds.

Notes to the Financial Statements

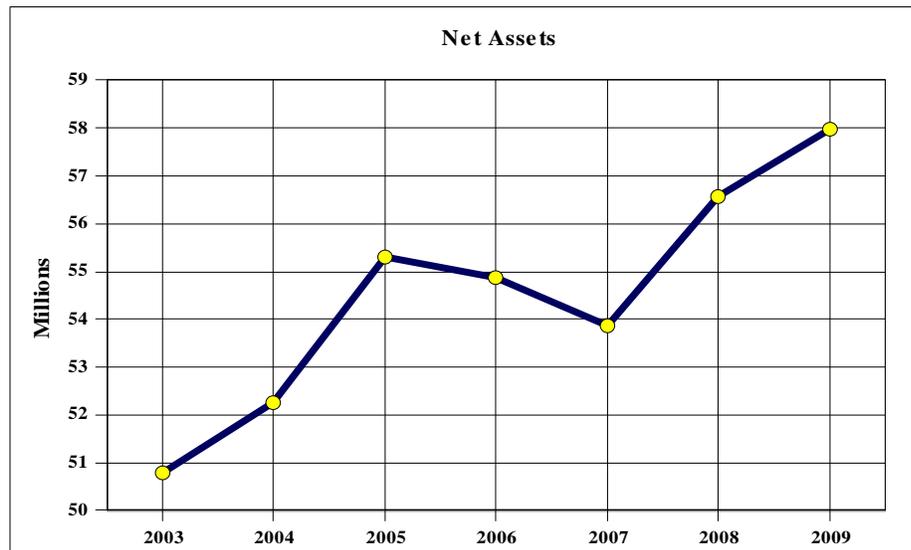
The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 21 of this report.

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 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 \$57,972,779 at the close of 2009. The largest portion of the County’s net assets (approximately 84 percent) reflects its investment in capital assets (i.e., land, construction in progress, 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 three percent of the County’s net assets are restricted and 13 percent of the County’s net assets are unrestricted. The unrestricted net asset amount of \$7,323,962, as of December 31, 2009, 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 \$1,392,213, from the prior year, due to the continued construction of various highway projects. Total liabilities decreased by \$5,929, from the prior year, primarily due to debt repayment. This resulted in increased net assets of \$1,398,142 from the prior year.



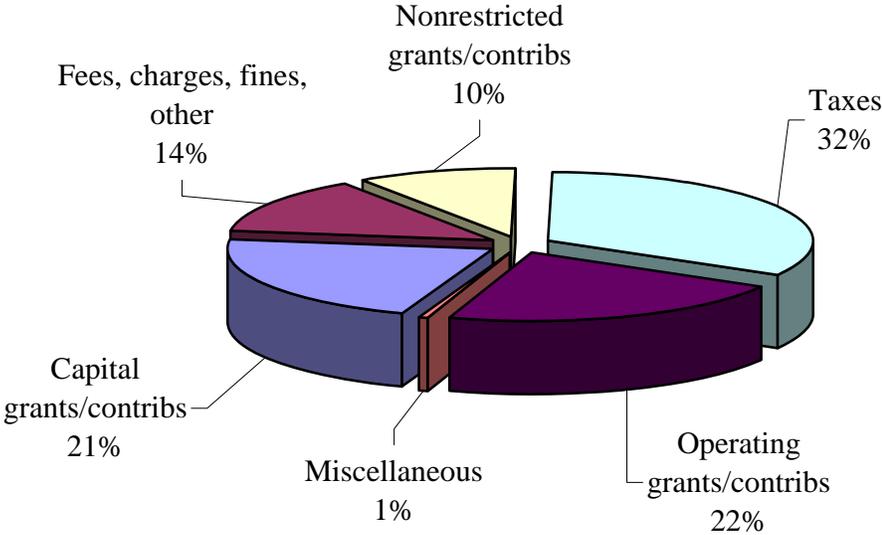
NET ASSETS

	Governmental Activities	
	2009	2008
Current and other assets	\$ 11,346,158	\$ 9,864,967
Capital assets	51,208,510	51,297,488
Total assets	<u>\$ 62,554,668</u>	<u>\$ 61,162,455</u>
Other liabilities	\$ 1,000,979	\$ 805,329
Long-term liabilities outstanding	3,580,910	3,782,489
Total liabilities	<u>\$ 4,581,889</u>	<u>\$ 4,587,818</u>
Net assets		
Invested in capital assets, net of related debt	\$ 48,628,250	\$ 48,422,028
Restricted	2,020,567	1,883,255
Unrestricted	7,323,962	6,269,354
Total net assets	<u>\$ 57,972,779</u>	<u>\$ 56,574,637</u>

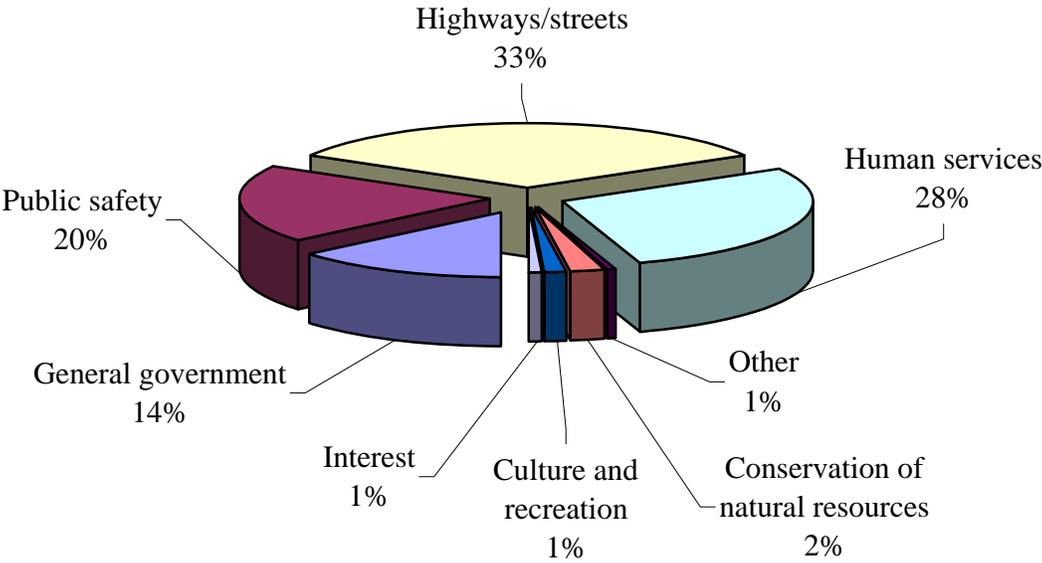
CHANGES IN NET ASSETS

	Governmental Activities	
	2009	2008
Revenues		
Program Revenues		
Charges for services	\$ 2,328,334	\$ 2,829,945
Operating grants and contributions	3,750,570	4,348,595
Capital grants and contributions	3,707,598	2,043,149
General Revenues		
Taxes	5,682,157	5,299,826
Grants and contributions not restricted to specific programs	1,644,808	1,506,530
Payments in lieu of taxes	51,159	22,709
Investment earnings	38,755	122,997
Total revenues	<u>\$ 17,203,381</u>	<u>\$ 16,173,751</u>
Expenses		
General government	\$ 2,196,855	\$ 2,351,613
Public safety	3,080,880	3,399,066
Highways and streets	5,255,496	2,001,387
Sanitation	56,890	110,489
Human services	4,445,451	4,721,043
Health	53,877	56,270
Culture and recreation	184,126	209,222
Conservation of natural resources	358,184	458,520
Economic development	21,470	22,972
Interest	152,010	138,481
Total expenses	<u>\$ 15,805,239</u>	<u>\$ 13,469,063</u>
Increase (decrease) in net assets	\$ 1,398,142	\$ 2,704,688
Net assets, January 1	56,574,637	53,869,949
Net assets, December 31	<u>\$ 57,972,779</u>	<u>\$ 56,574,637</u>

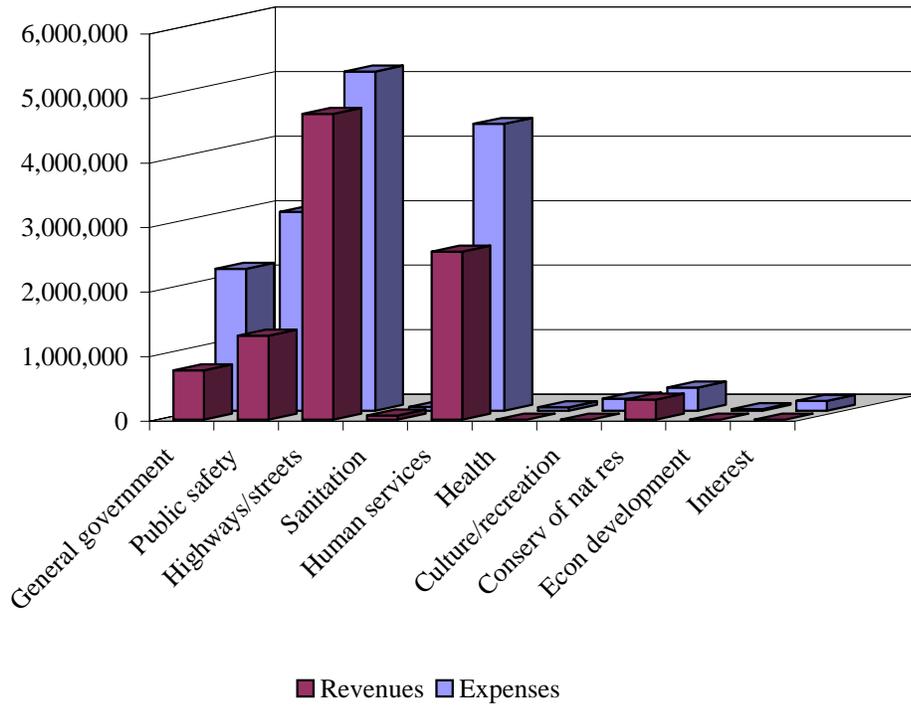
Revenues by Source



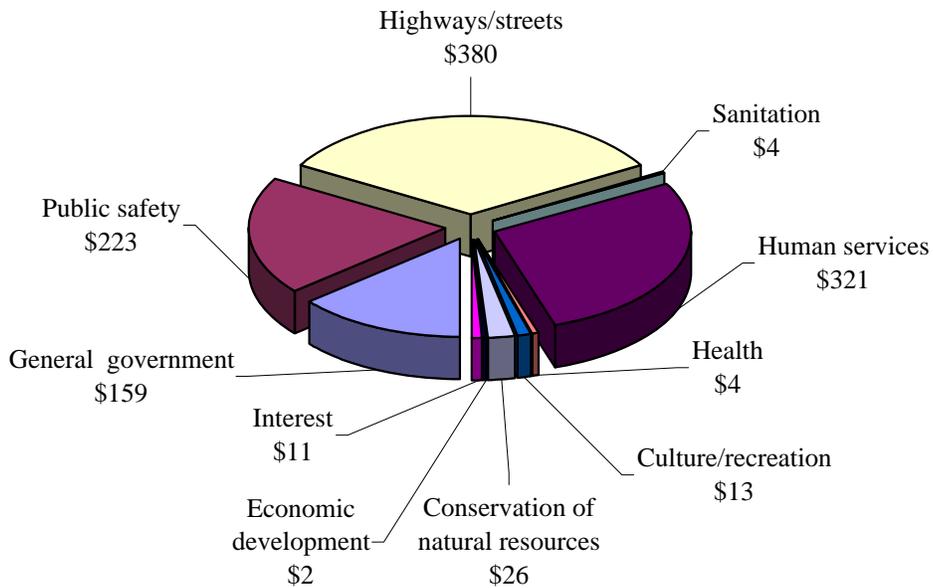
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita 13,842 Population as of 07-01-09



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 2009, the County's governmental funds reported combined ending fund balances of \$9,522,515. Of this amount, approximately 16 percent constitutes legally or contractually reserved fund balance, 69 percent constitutes specifically designated fund balance, and 15 percent constitutes unreserved, undesignated 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 \$4,293,807. The General Fund's reserved fund balance was \$727,387, unreserved, designated fund balance was \$3,110,527, and the unreserved, undesignated fund balance was \$455,893. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures for 2009. Unreserved fund balance represents 63 percent of total General Fund expenditures, while total fund balance represents 76 percent of that same amount.

In 2009, the fund balance amount in the General Fund increased by \$283,387, due to increased tax collections along with reduced expenditures in most departments.

The fund balance of the Road and Bridge Special Revenue Fund increased \$327,669 in 2009, as a result of federal grants received for Highway Planning and Construction.

The fund balance of the Human Services Special Revenue Fund increased \$227,325 from the prior year, due to increased tax collections along with reduced expenditures for out-of-home placements.

The fund balance of the Capital Improvement Special Revenue Fund increased \$82,205 from the prior year, due to the receipt of earnest money and lease payments from the sale of the nursing home which has been designated for capital improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget as approved for 2009.

Actual revenues were less than overall budgeted revenues by \$532,038, due to the receipt of less than budgeted miscellaneous and tax revenues and charges for services. Actual expenditures were less than overall final budgeted expenditures by \$675,004, 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, 2009 amounted to \$51,208,510 (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	
	2009	2008
Land	\$ 464,569	\$ 464,569
Construction in progress	1,929,396	2,552,113
Infrastructure	45,603,544	44,853,660
Buildings and improvements	2,048,888	2,183,064
Machinery and equipment	1,162,113	1,244,082
Total capital assets	<u>\$ 51,208,510</u>	<u>\$ 51,297,488</u>

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

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$2,988,047 which is backed by the full faith and credit of the government.

	Governmental Activities	
	2009	2008
General Obligation Bonds (net of discount)	\$ 1,839,047	\$ 1,995,618
General Obligation Highway State-Aid Note	1,149,000	1,227,000
	<u>\$ 2,988,047</u>	<u>\$ 3,222,618</u>

The County's net decrease in debt of \$234,571 or seven 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 2009, 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 unemployment rate for Pennington County was 8.4 percent as of December 31, 2009. This is higher than the statewide rate of 7.3 percent and lower than the national average rate of 9.7 percent.
- Pennington County's population at July 1, 2009 was 13,842, an increase of 258 since 2000. This ranks Pennington County 59th of 87 in the State of Minnesota.
- Effective March 1, 2007, the Oakland Park Nursing Home was sold for \$2,000,000 and all assets were transferred to the new owners. The new owners agreed to pay \$12,000 per month in lease payments and \$3,000 per month in earnest money toward the purchase price. As of March 2010, the final purchase price was received and arrangements were made for the financing of the remaining lease payments.
- On December 15, 2009, Pennington County set its 2010 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, 2009**

		Governmental Activities
<u>Assets</u>		
Cash and pooled deposits and investments	\$	7,350,079
Taxes receivable - prior		265,497
Special assessments receivable - prior		10,304
Accounts receivable		51,464
Accrued interest receivable		4,999
Contracts receivable		2,017,044
Due from other governments		1,289,984
Inventories		305,378
Deferred debt issuance costs		16,331
Special assessments receivable - noncurrent		35,078
Capital assets		
Non-depreciable		2,393,965
Depreciable - net of accumulated depreciation		48,814,545
Total Assets	\$	62,554,668
<u>Liabilities</u>		
Accounts payable	\$	216,947
Salaries payable		58,984
Contracts payable		193,316
Due to other governments		157,567
Accrued interest payable		48,113
Deferred revenue - unearned		326,052
Long-term liabilities		
Due within one year		675,300
Due in more than one year		2,905,610
Total Liabilities	\$	4,581,889
<u>Net Assets</u>		
Invested in capital assets, net of related debt	\$	48,628,250
Restricted for		
General government		235,234
Public safety		342,125
Highways and streets		845,530
Conservation of natural resources		170,445
Debt service		427,233
Unrestricted		7,323,962
Total Net Assets	\$	57,972,779

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	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	\$ 2,196,855	\$ 751,649	\$ 13,791	\$ -
Public safety	3,080,880	951,545	352,337	-
Highways and streets	5,255,496	304,909	904,575	3,531,953
Sanitation	56,890	6,393	55,475	-
Human services	4,445,451	305,140	2,299,852	-
Health	53,877	-	-	-
Culture and recreation	184,126	315	-	-
Conservation of natural resources	358,184	8,383	124,540	175,645
Economic development	21,470	-	-	-
Interest	152,010	-	-	-
Total governmental activities	\$ 15,805,239	\$ 2,328,334	\$ 3,750,570	\$ 3,707,598
General revenues				
Taxes				\$ 5,682,157
Grants and contributions not restricted to specific programs				1,644,808
Payments in lieu of taxes				51,159
Investment earnings				38,755
Total general revenues				\$ 7,416,879
Change in net assets				\$ 1,398,142
Net assets - January 1				56,574,637
Net assets - December 31				\$ 57,972,779

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	<u>General Fund</u>	<u>Special Revenue Funds</u>			<u>Other Governmental Funds (Statement 1)</u>	<u>Total Governmental Funds</u>
		<u>Road and Bridge</u>	<u>Human Services</u>	<u>Capital Improvement</u>		
<u>Assets</u>						
Cash and pooled deposits and investments	\$ 4,114,179	\$ 310,194	\$ 1,167,573	\$ 279,710	\$ 1,478,423	\$ 7,350,079
Taxes receivable - prior	125,609	48,595	77,959	-	13,334	265,497
Special assessments receivable - prior	-	-	-	-	10,304	10,304
Accounts receivable	43,486	7,978	-	-	-	51,464
Accrued interest receivable	4,999	-	-	-	-	4,999
Contracts receivable	-	-	-	1,919,000	98,044	2,017,044
Due from other funds	22,177	2,914	-	-	5,424	30,515
Due from other governments	205,195	877,150	206,244	-	1,395	1,289,984
Inventories	-	305,378	-	-	-	305,378
Advances to other funds	-	-	-	-	37,135	37,135
Special assessments receivable - noncurrent	-	-	-	-	35,078	35,078
Total Assets	\$ 4,515,645	\$ 1,552,209	\$ 1,451,776	\$ 2,198,710	\$ 1,679,137	\$ 11,397,477

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	Special Revenue Funds				Other Governmental Funds (Statement 1)	Total Governmental Funds
	General Fund	Road and Bridge	Human Services	Capital Improvement		
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 59,956	\$ 32,888	\$ 123,017	\$ -	\$ 1,086	\$ 216,947
Salaries payable	34,106	8,939	15,939	-	-	58,984
Contracts payable	-	193,316	-	-	-	193,316
Due to other funds	-	-	19,538	-	10,977	30,515
Due to other governments	35,849	7,148	107,584	811	6,175	157,567
Deferred revenue - unavailable	91,927	555,043	57,055	-	150,421	854,446
Deferred revenue - unearned	-	326,052	-	-	-	326,052
Advances from other funds	-	-	-	-	37,135	37,135
Total Liabilities	\$ 221,838	\$ 1,123,386	\$ 323,133	\$ 811	\$ 205,794	\$ 1,874,962
Fund Balances						
Reserved for						
Advances to other funds	\$ -	\$ -	\$ -	\$ -	\$ 37,135	\$ 37,135
Attorney forfeited property	12,108	-	-	-	-	12,108
Drug and Alcohol Resistance Education	3,458	-	-	-	-	3,458
Debt service	-	-	-	-	427,233	427,233
Enhanced 911	310,855	-	-	-	-	310,855
Handgun permits	14,661	-	-	-	-	14,661
Help America Vote Act	29,353	-	-	-	-	29,353
Inventories	-	305,378	-	-	-	305,378
Law library	27,202	-	-	-	-	27,202
Missing heirs	210	-	-	-	-	210
Probation	5,863	-	-	-	-	5,863
Recorder's equipment	73,407	-	-	-	-	73,407
SCORE	135,367	-	-	-	-	135,367
Sheriff's contingent fund	3,031	-	-	-	-	3,031
Sheriff's forfeited property	6,810	-	-	-	-	6,810
Technology	105,062	-	-	-	-	105,062
Unreserved						
Designated for						
Capital improvements	515,044	-	-	2,197,899	-	2,712,943
Cash flows	2,438,790	123,445	1,128,643	-	-	3,690,878
Jail canteen	77,510	-	-	-	-	77,510
Juvenile restitution	14,595	-	-	-	-	14,595
Natural resources	61,273	-	-	-	-	61,273
Parents forever	3,315	-	-	-	-	3,315
Undesignated	455,893	-	-	-	-	455,893
Unreserved, reported in nonmajor Special revenue funds	-	-	-	-	1,008,975	1,008,975
Total Fund Balances	\$ 4,293,807	\$ 428,823	\$ 1,128,643	\$ 2,197,899	\$ 1,473,343	\$ 9,522,515
Total Liabilities and Fund Balances	\$ 4,515,645	\$ 1,552,209	\$ 1,451,776	\$ 2,198,710	\$ 1,679,137	\$ 11,397,477

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Fund balances - total governmental funds (Exhibit 3)	\$	9,522,515
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		51,208,510
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		854,446
<p>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.</p>		
Accrued interest payable	\$ (48,113)	
General obligation bonds	(1,839,047)	
General obligation notes	(1,149,000)	
Deferred debt issuance costs	16,331	
Compensated absences payable	(487,976)	
Other post employment benefits	(104,887)	(3,612,692)
Net assets of governmental activities (Exhibit 1)	\$	57,972,779

**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, 2009**

	General Fund	Special Revenue Funds			Other Governmental Funds (Statement 2)	Total Governmental Funds
		Road and Bridge	Human Services	Capital Improvement		
Revenues						
Taxes	\$ 2,711,790	\$ 1,053,058	\$ 1,640,980	\$ -	\$ 263,730	\$ 5,669,558
Special assessments	-	-	-	-	185,356	185,356
Licenses and permits	7,640	-	-	-	-	7,640
Intergovernmental	1,408,804	4,457,747	2,720,617	-	97,002	8,684,170
Charges for services	1,333,635	86,697	74,101	-	1,395	1,495,828
Fines and forfeitures	23,266	-	-	-	-	23,266
Investment earnings	37,248	-	-	-	-	37,248
Miscellaneous	261,941	194,141	231,039	84,000	6,408	777,529
Total Revenues	\$ 5,784,324	\$ 5,791,643	\$ 4,666,737	\$ 84,000	\$ 553,891	\$ 16,880,595
Expenditures						
Current						
General government	\$ 2,102,171	\$ -	\$ -	\$ 1,795	\$ -	\$ 2,103,966
Public safety	2,894,811	-	-	-	-	2,894,811
Highways and streets	-	5,267,257	-	-	-	5,267,257
Sanitation	-	-	-	-	44,869	44,869
Human services	22,908	-	4,406,618	-	-	4,429,526
Health	53,877	-	-	-	-	53,877
Culture and recreation	184,894	-	-	-	-	184,894
Conservation of natural resources	300,572	-	-	-	58,180	358,752
Economic development	21,470	-	-	-	-	21,470
Total Current	\$ 5,580,703	\$ 5,267,257	\$ 4,406,618	\$ 1,795	\$ 103,049	\$ 15,359,422
Debt Service						
Principal retirement	\$ -	\$ 78,000	\$ -	\$ -	\$ 1,610,000	\$ 1,688,000
Interest	-	38,528	-	-	87,142	125,670
Total Debt Service	\$ -	\$ 116,528	\$ -	\$ -	\$ 1,697,142	\$ 1,813,670
Capital Outlay						
General government	\$ 37,982	\$ -	\$ -	\$ -	\$ -	\$ 37,982
Public safety	20,872	-	-	-	-	20,872
Highways and streets	-	169,522	-	-	-	169,522
Human services	-	-	32,794	-	-	32,794
Total Capital Outlay	\$ 58,854	\$ 169,522	\$ 32,794	\$ -	\$ -	\$ 261,170
Total Expenditures	\$ 5,639,557	\$ 5,553,307	\$ 4,439,412	\$ 1,795	\$ 1,800,191	\$ 17,434,262

**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, 2009**

	General Fund	Special Revenue Funds			Other Governmental Funds (Statement 2)	Total Governmental Funds
		Road and Bridge	Human Services	Capital Improvement		
Excess of Revenues Over (Under) Expenditures	\$ 144,767	\$ 238,336	\$ 227,325	\$ 82,205	\$ (1,246,300)	\$ (553,667)
Other Financing Sources (Uses)						
Transfers in	\$ 138,620	\$ -	\$ -	\$ -	\$ -	\$ 138,620
Transfers out	-	-	-	-	(138,620)	(138,620)
Proceeds from refunding bonds	-	-	-	-	1,450,000	1,450,000
Total Other Financing Sources (Uses)	\$ 138,620	\$ -	\$ -	\$ -	\$ 1,311,380	\$ 1,450,000
Net Change in Fund Balance	\$ 283,387	\$ 238,336	\$ 227,325	\$ 82,205	\$ 65,080	\$ 896,333
Fund Balance - January 1	4,010,420	101,154	901,318	2,115,694	1,408,263	8,536,849
Increase (decrease) in reserved for inventories	-	89,333	-	-	-	89,333
Fund Balance - December 31	\$ 4,293,807	\$ 428,823	\$ 1,128,643	\$ 2,197,899	\$ 1,473,343	\$ 9,522,515

**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, 2009**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	896,333
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>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.</p>		
Expenditures for general capital assets and infrastructure	\$ 1,612,848	
Current year depreciation	(1,698,598)	
Net book value of assets disposed	(3,228)	(88,978)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		321,279
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Principal repayments		
Capital improvement bonds	\$ 200,000	
State-aid highway notes	78,000	
Bond retirement	1,410,000	
Proceeds from bond issuance	(1,450,000)	238,000
<p>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.</p>		
Amortization of discounts and deferred issuance charges	\$ 13,856	
Change in accrued interest payable	(38,689)	
Change in compensated absences payable	16,858	
Change in other post employment benefits	(49,850)	
Change in inventories	89,333	31,508
Change in net assets of governmental activities (Exhibit 2)	\$	<u>1,398,142</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009**

	<u>Agency (Statement 7)</u>
<u>Assets</u>	
Cash and pooled deposits and investments	\$ <u>359,922</u>
<u>Liabilities</u>	
Accounts payable	\$ 7,606
Due to other funds	17,403
Due to other governments	<u>334,913</u>
Total Liabilities	\$ <u>359,922</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

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 D and E, 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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

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 all financial resources of the general government, except those required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Financing is provided by annual tax levy, intergovernmental revenues designated for highways purposes, and charges for services.

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

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

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt.

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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

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.

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.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Pooled 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 deposits and investments are reported at their fair value at December 31, 2009, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled deposits and investments are credited to the General Fund. Pooled investment earnings for 2009 were \$37,248.

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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

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 reserve 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 reserve 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:

<u>Assets</u>	<u>Years</u>
Infrastructure	50-75
Buildings and improvements	20-30
Machinery and equipment	5-12

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

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

5. Compensated Absences

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.

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

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

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

Six of the 48 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 unreserved, undesignated fund balance as of December 31, 2009:

Account balance	\$ 571,892
Account deficit	<u>(82,227)</u>
Fund Balance	<u><u>\$ 489,665</u></u>

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. Cash and Pooled Deposits and Investments

Reconciliations of the County's total cash and pooled deposits and investments to the basic financial statements, as of December 31, 2009, are as follows:

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Pooled Deposits and Investments (Continued)

Governmental funds	
Cash and pooled deposits and investments	\$ 7,350,079
Fiduciary funds	
Cash and pooled deposits and investments	<u>359,922</u>
Total cash and investments	<u>\$ 7,710,001</u>
Deposits	\$ 3,013,126
Cash on hand	1,875
Investments	<u>4,695,000</u>
Total deposits, cash on hand, and investments	<u>\$ 7,710,001</u>

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, 2009, 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:

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Pooled 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, 2009, the County had the following investments and maturities:

	Fair Value	Less Than 1 Year
Negotiable Certificates of Deposit	\$ 495,000	\$ 495,000
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	800,000	800,000
Wells Fargo Advantage Government Money Market	3,400,000	3,400,000
Total Investments	\$ 4,695,000	\$ 4,695,000
	100%	100%

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Pooled Deposits and 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, 2009, is as follows:

	S & P Rating	Fair Value
Negotiable Certificates of Deposit	N/R	\$ 495,000
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	N/A	800,000
Wells Fargo Advantage Government Money Market	AAA	3,400,000
		\$ 4,695,000

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, 2009, 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 five separate financial institutions and are not exposed to concentration of credit risk.

2. Receivables

Receivables as of December 31, 2009, for the County's governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Taxes	\$ 265,497	\$ -
Special assessments	45,382	35,078
Accounts	51,464	-
Accrued interest	4,999	-
Contracts	2,017,044	-
Due from other governments	1,289,984	-
	<u>\$ 3,674,370</u>	<u>\$ 35,078</u>
Total	<u>\$ 3,674,370</u>	<u>\$ 35,078</u>

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 464,569	\$ -	\$ -	\$ 464,569
Construction in progress	2,552,113	1,351,678	1,974,395	1,929,396
Total capital assets not depreciated	<u>\$ 3,016,682</u>	<u>\$ 1,351,678</u>	<u>\$ 1,974,395</u>	<u>\$ 2,393,965</u>
Capital assets being depreciated				
Infrastructure	\$ 61,619,339	\$ 1,974,395	\$ -	\$ 63,593,734
Buildings and improvements	4,528,586	19,450	-	4,548,036
Machinery and equipment	4,043,669	241,720	465,825	3,819,564
Total capital assets being depreciated	<u>\$ 70,191,594</u>	<u>\$ 2,235,565</u>	<u>\$ 465,825</u>	<u>\$ 71,961,334</u>
Less: accumulated depreciation for				
Infrastructure	\$ 16,765,679	\$ 1,224,511	\$ -	\$ 17,990,190
Buildings and improvements	2,345,522	153,626	-	2,499,148
Machinery and equipment	2,799,587	320,461	462,597	2,657,451
Total accumulated depreciation	<u>\$ 21,910,788</u>	<u>\$ 1,698,598</u>	<u>\$ 462,597</u>	<u>\$ 23,146,789</u>
Total capital assets, depreciated, net	<u>\$ 48,280,806</u>	<u>\$ 536,967</u>	<u>\$ 3,228</u>	<u>\$ 48,814,545</u>
Governmental Activities Capital Assets, Net	<u>\$ 51,297,488</u>	<u>\$ 1,888,645</u>	<u>\$ 1,977,623</u>	<u>\$ 51,208,510</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

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	\$	83,825
Public safety		168,579
Highways and streets, including depreciation of infrastructure assets		1,418,969
Human services		13,672
Sanitation		12,021
Culture and recreation		1,532
Total Depreciation Expense	\$	1,698,598

Construction Commitments

The County had no active construction commitments as of December 31, 2009.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Social Services Special Revenue Fund	\$ 19,538	Charges for services and reimbursements
	Other Governmental	2,639	Forfeited tax settlement
Total Due to General Fund		\$ 22,177	
Road and Bridge Special Revenue Fund	Other Governmental	\$ 2,914	Charges for services
Other Governmental	Other Governmental	\$ 5,424	Forfeited tax settlement and reclassification of funds
Total Due To/From Other Funds		\$ 30,515	

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

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

Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount	
Other Governmental	Other Governmental	\$ 37,135	Cash deficit

This advance will be paid back.

Interfund Transfers

Interfund transfers for the year ended December 31, 2009 consisted of an operating transfer in the amount of \$138,620 to the General Fund from Other Governmental to close the Solid Waste Debt Service Fund.

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. Governmental funds also defer recognition in connection with resources that have been received, but not yet earned. As of December 31, 2009, governmental funds reported the following various components of deferred revenues:

	Deferred Unavailable	Deferred Unearned
Taxes	\$ 201,846	\$ -
Special Assessments	35,078	-
Contracts	617,522	326,052
Total Deferred Revenue	\$ 854,446	\$ 326,052

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 Social Services Special Revenue Fund.

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately \$478,106 at December 31, 2009, is available to employees in the event of illness-related absences and is not paid to them at termination.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities (Continued)

Long-Term Debt

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amounts</u>	<u>Outstanding Balance December 31, 2009</u>
General Obligation Bonds					
*1998 G.O. Jail Bonds	2014	\$55,000-\$70,000	4.45	750,000	\$ -
*1998 G.O. Capital Improvement Bonds	2019	\$40,000-\$150,000	4.53	1,410,000	-
2004 G.O. Capital Improvement Bonds	2014	\$55,000-\$65,000	3.44	535,000	295,000
2004 G.O. Refunding Bonds	2011	\$55,000	4.34	310,000	110,000
2009 G.O. Refunding Bonds	2019	\$130,000-\$185,000	3.4	<u>1,450,000</u>	<u>1,450,000</u>
				\$ 4,455,000	\$ 1,855,000
Less: Bond discount				<u>-</u>	<u>(15,953)</u>
Total General Obligation Bonds, net of discount				\$ 4,455,000	\$ 1,839,047
2001 G.O. Highway State-Aid Note	2021	\$80,000-\$113,000	3.14	<u>2,000,000</u>	<u>1,149,000</u>
Total				<u>\$ 6,455,000</u>	<u>\$ 2,988,047</u>

*These bonds were refunded with 2009 General Obligation Refunding Bonds. The County realized an economic gain of \$8,635 with a net present value of \$11,262, as a result of refunding the 1998 General Obligation Jail Bonds. The County also realized an economic gain of \$46,731 with a net present value of \$49,042, as a result of refunding the 1998 General Obligation Capital Improvement Bonds.

Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Debt Service Requirements (Continued)

Year Ending December 31	General Obligation Bonds		2001 General Obligation Highway State-Aid Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 240,000	\$ 67,496	\$ 80,000	\$ 36,079	\$ 320,000	\$ 103,575
2011	230,000	47,723	83,000	33,567	313,000	81,290
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
2015-2019	660,000	61,045	500,000	82,896	1,160,000	143,941
2020-2021	-	-	222,000	10,519	222,000	10,519
	\$ 1,855,000	\$ 279,627	\$ 1,149,000	\$ 247,840	\$ 3,004,000	\$ 527,467
Less: Bond discount	(15,953)	-	-	-	(15,953)	-
Total	\$ 1,839,047	\$ 279,627	\$ 1,149,000	\$ 247,840	\$ 2,988,047	\$ 527,467

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 2,015,000	\$ 1,450,000	\$ 1,610,000	\$ 1,855,000	\$ 240,000
Less: Bond discount	(19,382)	-	(3,429)	(15,953)	-
2001 General Obligation Highway State-Aid Note	1,227,000	-	78,000	1,149,000	80,000
Net OPEB Payable	55,037	68,453	18,603	104,887	-
Compensated Absences	504,834	476,607	493,465	487,976	355,300
Governmental Activities Long-Term Liabilities	\$ 3,782,489	\$ 1,995,060	\$ 2,196,639	\$ 3,580,910	\$ 675,300

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

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 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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

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 are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 9.40 percent of their annual covered salary in 2009. 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 2009 and 2010:

	2009	2010
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	6.75	7.00
Public Employees Police and Fire Fund	14.10	14.10
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2009, 2008, and 2007, 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
2009	\$ 269,208	\$ 65,137	\$ 78,395
2008	196,857	51,400	83,229
2007	191,669	44,523	80,324

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

Defined Contribution Plan

Two 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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

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, 2009, were:

	Employee	Employer
Contribution amount	\$ 1,281	\$ 1,281
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 2009, there were approximately 117 participants in the plan, including eight retirees.

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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

IV. Pension Plans and Other Post-Employment Benefits

Other Post-Employment Benefits – (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Annual Required Contribution	\$	67,942
Interest on net OPEB obligation		2,477
Adjustments to Annual Required Contribution		<u>(1,966)</u>
Annual OPEB cost (expense)	\$	68,453
Contributions made		<u>(18,603)</u>
Increase in net OPEB obligation	\$	49,850
Net OPEB Obligation - January 1, 2009		<u>55,037</u>
Net OPEB Obligation - December 31, 2009	\$	<u><u>104,887</u></u>

The County's annual OPEB cost for December 31, 2009 was \$68,453. The percentage of annual OPEB cost contributed to the plan was 27.2 percent, and the net OPEB obligation for 2009 was \$104,887. The required three-year actuarial valuation trend information is not available at this time based on implementation in 2008.

Fund Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was \$518,648, and the actuarial value of assets was zero, resulting in an unfunded actuarial liability (UAAL) of \$518,648. The covered payroll (annual payroll of active employees covered by the plan) was \$4,480,493, and the ratio of the UAAL to the covered payroll was 11.6 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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

IV. Pension Plans and Other Post-Employment Benefits

Other Post-Employment Benefits – (OPEB)

Actuarial Methods and Assumptions (Continued)

In the January 1, 2008, 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 9.0 percent initially reduced by decrements to an ultimate rate of 5.0 percent over eight years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2009, was 28 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 \$430,000 per claim in 2009 and \$450,000 per claim in 2010. 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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

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

C. Sale of Nursing Home

Effective March 1, 2007, the Oakland Park Nursing Home was sold for \$2,000,000 and all assets were transferred to the new owners. The new owners agreed to pay \$12,000 per month in lease payments and \$3,000 per month in earnest money toward the purchase price. As of March 2010, the final purchase price was received and arrangements were made for the financing of the remaining lease payments.

D. Joint Ventures

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, 2009. 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.

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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northern Counties Land Use Coordinating Board (Continued)

The Land Use Coordinating Board has no long-term debt. Financing is provided by appropriations from member counties. Pennington County contributed \$2,500 to the Land Use Coordinating Board for the year ended December 31, 2009. 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.

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. Pennington County disbursed \$5,535 to the Waste Management Group for the year ended December 31, 2009. 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, Mahnomon, 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).

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

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, 2009. Complete financial information can be obtained from Greater Northwest Emergency Medical Services, 2301 Johanneson Avenue NW, Suite 103, Bemidji, Minnesota 56601.

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.

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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwest Service Cooperative (Continued)

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, 2009. 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 contributed \$1,000 to the Association for the year ended December 31, 2009. 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.

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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwestern Minnesota Juvenile Center (Continued)

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.

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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Red Lake River Corridor (Continued)

Financing is provided by contributions from members. The County contributed \$500 to the Board in 2009. Complete financial information can be obtained from the Pembina Trail R C & D, 2605 Wheat Drive, Red Lake Falls, Minnesota 56750.

E. 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, Mahnommen, 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, 2009.

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 2009.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

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.

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 \$80,000 to the Library for the year ended December 31, 2009.

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
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

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.

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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,823,433	\$ 2,823,433	\$ 2,711,790	\$ (111,643)
Licenses and permits	3,413	3,413	7,640	4,227
Intergovernmental	1,376,793	1,376,793	1,408,804	32,011
Charges for services	1,453,410	1,453,410	1,333,635	(119,775)
Fines and forfeitures	23,000	23,000	23,266	266
Investment earnings	102,500	102,500	37,248	(65,252)
Miscellaneous	533,813	533,813	261,941	(271,872)
Total Revenues	\$ 6,316,362	\$ 6,316,362	\$ 5,784,324	\$ (532,038)
Expenditures				
Current				
General government				
Commissioners	\$ 258,477	\$ 258,477	\$ 206,208	\$ 52,269
District court	20,600	20,600	18,798	1,802
Court reporter	-	-	75	(75)
Law library	17,000	17,000	11,869	5,131
County auditor	303,653	303,653	263,502	40,151
License bureau	211,192	211,192	208,963	2,229
County treasurer	103,173	103,173	101,531	1,642
County assessor	211,353	211,353	201,184	10,169
Elections	1,550	1,550	9,113	(7,563)
Data processing	131,500	131,500	105,770	25,730
Attorney	302,987	302,987	304,148	(1,161)
Recorder	226,676	226,676	225,573	1,103
Buildings and grounds	272,759	272,759	271,866	893
Veterinarian	259	259	-	259
Veterans service officer	84,990	84,990	92,357	(7,367)
Insurance	34,400	34,400	39,902	(5,502)
Other general government	311,100	311,100	41,312	269,788
Total general government	\$ 2,491,669	\$ 2,491,669	\$ 2,102,171	\$ 389,498

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

*Schedule 1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 857,346	\$ 857,346	\$ 837,461	\$ 19,885
Coroner	12,258	12,258	15,752	(3,494)
County jail	1,277,753	1,277,753	1,105,096	172,657
DARE program	2,000	2,000	4,698	(2,698)
Enhanced 911	33,500	33,500	10,217	23,283
Emergency services	36,090	36,090	40,448	(4,358)
Jail canteen fund	80,000	80,000	39,935	40,065
Juvenile justice	4,000	4,000	9,294	(5,294)
Law enforcement center	518,827	518,827	500,334	18,493
Community corrections	-	-	20	(20)
Probation and parole	36,500	36,500	39,596	(3,096)
Sentence to service	174,258	174,258	174,967	(709)
Training	4,000	4,000	7,959	(3,959)
Victim assistance	119,211	119,211	108,429	10,782
Other public safety	1,000	1,000	605	395
Total public safety	\$ 3,156,743	\$ 3,156,743	\$ 2,894,811	\$ 261,932
Human Services				
Buildings and grounds	\$ 25,535	\$ 25,535	\$ 22,908	\$ 2,627
Health				
Nursing service	\$ 55,000	\$ 55,000	\$ 49,906	\$ 5,094
County health officer	958	958	920	38
Parenting education	3,262	3,262	3,051	211
Total health	\$ 59,220	\$ 59,220	\$ 53,877	\$ 5,343
Culture and recreation				
Auditorium	\$ 41,655	\$ 41,655	\$ 31,816	\$ 9,839
Historical society	13,000	13,000	11,700	1,300
Regional library	86,500	86,500	80,000	6,500
Senior citizens	1,000	1,000	1,000	-
Snowmobile and ski trails	71,514	71,514	60,378	11,136
Total culture and recreation	\$ 213,669	\$ 213,669	\$ 184,894	\$ 28,775

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

*Schedule 1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Agricultural society/county fair	\$ 10,500	\$ 10,500	\$ 20,040	\$ (9,540)
Agriculture inspection	200	200	35	165
Area Ag Information Center	5,000	5,000	4,500	500
Cooperative extension	160,291	160,291	139,239	21,052
Soil and water conservation	145,468	145,468	136,546	8,922
Other conservation of natural resources	-	-	212	(212)
Total conservation of natural resources	\$ 321,459	\$ 321,459	\$ 300,572	\$ 20,887
Economic development				
Housing and Redevelopment Authority	\$ 10,000	\$ 10,000	\$ 9,500	\$ 500
Minnesota Heartland	250	250	250	-
Red River Valley Development	800	800	720	80
Tri-Valley Opportunity Council	12,216	12,216	11,000	1,216
Total economic development	\$ 23,266	\$ 23,266	\$ 21,470	\$ 1,796
Capital outlay				
General government	\$ 23,000	\$ 23,000	\$ 37,982	\$ (14,982)
Public safety	-	-	20,872	(20,872)
Total capital outlay	\$ 23,000	\$ 23,000	\$ 58,854	\$ (35,854)
Total Expenditures	\$ 6,314,561	\$ 6,314,561	\$ 5,639,557	\$ 675,004
Excess of Revenues Over (Under) Expenditures	\$ 1,801	\$ 1,801	\$ 144,767	\$ 142,966
Other Financing Sources (Uses)				
Transfers in	-	-	138,620	138,620
Net Change in Fund Balance	\$ 1,801	\$ 1,801	\$ 283,387	\$ 281,586
Fund Balance - January 1	4,010,420	4,010,420	4,010,420	-
Fund Balance - December 31	\$ 4,012,221	\$ 4,012,221	\$ 4,293,807	\$ 281,586

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,071,229	\$ 1,071,229	\$ 1,053,058	\$ (18,171)
Intergovernmental	3,122,117	3,122,117	4,457,747	1,335,630
Charges for services	63,000	63,000	86,697	23,697
Miscellaneous	268,191	268,191	194,141	(74,050)
Total Revenues	\$ 4,524,537	\$ 4,524,537	\$ 5,791,643	\$ 1,267,106
Expenditures				
Current				
Highways and Streets				
Administration	\$ 266,636	\$ 266,636	\$ 273,243	\$ (6,607)
Maintenance	431,983	431,983	318,563	113,420
Construction	1,732,500	1,732,500	3,170,420	(1,437,920)
Equipment maintenance and shop	1,607,981	1,607,981	1,406,959	201,022
Other highways and streets	111,000	111,000	98,072	12,928
Total highways and streets	\$ 4,150,100	\$ 4,150,100	\$ 5,267,257	\$ (1,117,157)
Debt Service				
Principal retirement	\$ 78,000	\$ 78,000	\$ 78,000	\$ -
Interest	39,246	39,246	38,528	718
Total debt service	\$ 117,246	\$ 117,246	\$ 116,528	\$ 718
Capital Outlay				
Highways and streets	\$ 175,000	\$ 175,000	\$ 169,522	\$ 5,478
Total Expenditures	\$ 4,442,346	\$ 4,442,346	\$ 5,553,307	\$ (1,110,961)
Excess of Revenues Over (Under) Expenditures	\$ 82,191	\$ 82,191	\$ 238,336	\$ 156,145
Fund Balance - January 1	101,154	101,154	101,154	-
Increase (decrease) in reserved for inventories	-	-	89,333	89,333
Fund Balance - December 31	\$ 183,345	\$ 183,345	\$ 428,823	\$ 245,478

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,768,500	\$ 1,768,500	\$ 1,640,980	\$ (127,520)
Intergovernmental	2,978,517	2,978,517	2,720,617	(257,900)
Charges for services	95,000	95,000	74,101	(20,899)
Miscellaneous	221,500	221,500	231,039	9,539
Total Revenues	\$ 5,063,517	\$ 5,063,517	\$ 4,666,737	\$ (396,780)
Expenditures				
Current				
Human Services				
Income maintenance	\$ 1,193,828	\$ 1,193,828	\$ 1,223,400	\$ (29,572)
Social services	3,866,047	3,866,047	3,183,218	682,829
Total human services	\$ 5,059,875	\$ 5,059,875	\$ 4,406,618	\$ 653,257
Capital Outlay				
Human services	-	-	32,794	(32,794)
Total Expenditures	\$ 5,059,875	\$ 5,059,875	\$ 4,439,412	\$ 620,463
Excess of Revenues Over (Under) Expenditures	\$ 3,642	\$ 3,642	\$ 227,325	\$ 223,683
Fund Balance - January 1	901,318	901,318	901,318	-
Fund Balance - December 31	\$ 904,960	\$ 904,960	\$ 1,128,643	\$ 223,683

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ -	\$ 180,000	\$ 84,000	\$ (96,000)
Expenditures				
Current				
General government				
Other general government	-	1,500	1,795	(295)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 178,500	\$ 82,205	\$ (96,295)
Fund Balance - January 1	2,115,694	2,115,694	2,115,694	-
Fund Balance - December 31	2,115,694	2,294,194	2,197,899	(96,295)

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 5

**SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 2008	\$ -	\$ 518,648	\$ 518,648	\$ -	\$ 4,480,493	11.6%

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 6

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

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 reservations 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, 2009:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Court reporter	\$ 75	\$ -	\$ (75)
Elections	9,113	1,550	(7,563)
Attorney	304,148	302,987	(1,161)
Veterans service officer	92,357	84,990	(7,367)
Insurance	39,902	34,400	(5,502)
Public safety			
Coroner	15,752	12,258	(3,494)
DARE program	4,698	2,000	(2,698)
Emergency services	40,448	36,090	(4,358)
Juvenile justice	9,294	4,000	(5,294)
Community corrections	20	-	(20)
Probation and parole	39,596	36,500	(3,096)
Sentence to serve	174,967	174,258	(709)
Training	7,959	4,000	(3,959)

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

I. Budgetary Information

B. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Conservation of natural resources			
Agricultural society/county fair	\$ 20,040	\$ 10,500	\$ (9,540)
Other conservation of natural resources	212	-	(212)
Capital outlay			
General government	37,982	23,000	(14,982)
Public safety	20,872	-	(20,872)
Road and Bridge Special Revenue Fund			
Highways and streets			
Administration	273,243	266,636	(6,607)
Construction	3,170,420	1,732,500	(1,437,920)
Human Services Special Revenue Fund			
Human services			
Income maintenance	1,223,400	1,193,828	(29,572)
Capital outlay			
Human services	32,794	-	(32,794)
Capital Improvement Special Revenue Fund			
General government			
Other general government	1,795	1,500	(295)

II. Other Post-Employment Benefits (OPEB)

Beginning in 2008, Pennington County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. Currently, only one 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 Ditch Special Revenue Fund is used to account for the operation and maintenance of County and joint county drainage systems. Financing is provided by special assessments levied against benefited properties.

The Forfeited Tax Sale Special Revenue Fund is used to account for proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minnesota Statutes, Chapter 282 and various forest and timber management grants. The net proceeds, after deducting allowable expenses, are apportioned 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 solid waste activities. Financing is provided by intergovernmental revenue and user service charges.

Debt Service Funds

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

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

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

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

The Solid Waste Facility Debt Service Fund is used to account for the accumulation of resources for and the payment of solid waste facility bonds, interest, and related costs. This fund was closed in 2009.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	Special Revenue (Statement 3)	Debt Service (Statement 5)	Total Nonmajor Governmental Funds (Exhibit 3)
<u>Assets</u>			
Cash and pooled deposits and investments	\$ 1,054,683	\$ 423,740	\$ 1,478,423
Taxes receivable - prior	308	13,026	13,334
Special assessments receivable - prior	10,304	-	10,304
Contracts receivable	-	98,044	98,044
Due from other funds	20	5,404	5,424
Due from other governments	1,395	-	1,395
Advances to other funds	37,135	-	37,135
Special assessments receivable - noncurrent	35,078	-	35,078
	\$ 1,138,923	\$ 540,214	\$ 1,679,137
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 1,086	\$ -	\$ 1,086
Due to other funds	5,573	5,404	10,977
Due to other governments	6,175	-	6,175
Deferred revenue - unavailable	42,844	107,577	150,421
Advances from other funds	37,135	-	37,135
	\$ 92,813	\$ 112,981	\$ 205,794
Fund Balances			
Reserved for			
Advances to other funds	\$ 37,135	\$ -	\$ 37,135
Debt service	-	427,233	427,233
Unreserved			
Designated for			
Building demolition	5,046	-	5,046
Cash flows	25,500	-	25,500
Undesignated	978,429	-	978,429
	\$ 1,046,110	\$ 427,233	\$ 1,473,343
Total Liabilities and Fund Balances	\$ 1,138,923	\$ 540,214	\$ 1,679,137

**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, 2009**

	<u>Special Revenue (Statement 4)</u>	<u>Debt Service (Statement 6)</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
Revenues			
Taxes	\$ 25	\$ 263,705	\$ 263,730
Special assessments	185,356	-	185,356
Intergovernmental	55,475	41,527	97,002
Charges for services	1,395	-	1,395
Miscellaneous	6,408	-	6,408
Total Revenues	\$ 248,659	\$ 305,232	\$ 553,891
Expenditures			
Current			
Sanitation	\$ 44,869	\$ -	\$ 44,869
Conservation of natural resources	58,180	-	58,180
Total Current	\$ 103,049	\$ -	\$ 103,049
Debt Service			
Principal retirement	\$ -	\$ 1,610,000	\$ 1,610,000
Interest	2,430	84,712	87,142
Total Debt Service	\$ 2,430	\$ 1,694,712	\$ 1,697,142
Total Expenditures	\$ 105,479	\$ 1,694,712	\$ 1,800,191
Excess of Revenues Over (Under) Expenditures	\$ 143,180	\$ (1,389,480)	\$ (1,246,300)
Other Financing Sources (Uses)			
Transfers out	\$ -	\$ (138,620)	\$ (138,620)
Proceeds from refunding bonds	-	1,450,000	1,450,000
Total Other Financing Sources (Uses)	\$ -	\$ 1,311,380	\$ 1,311,380
Net Change in Fund Balance	\$ 143,180	\$ (78,100)	\$ 65,080
Fund Balance - January 1	902,930	505,333	1,408,263
Fund Balance - December 31	\$ 1,046,110	\$ 427,233	\$ 1,473,343

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Statement 3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2009**

	Ditch	Forfeited Tax Sale	Solid Waste	Total (Statement 1)
<u>Assets</u>				
Cash and pooled deposits and investments	\$ 530,843	\$ 8,043	\$ 515,797	\$ 1,054,683
Taxes receivable - prior	-	-	308	308
Special assessments receivable - prior	10,304	-	-	10,304
Due from other funds	20	-	-	20
Due from other governments	1,395	-	-	1,395
Advances to other funds	-	-	37,135	37,135
Special assessments receivable - noncurrent	35,078	-	-	35,078
Total Assets	\$ 577,640	\$ 8,043	\$ 553,240	\$ 1,138,923
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 297	\$ -	\$ 789	\$ 1,086
Due to other funds	2,914	2,659	-	5,573
Due to other governments	5,010	338	827	6,175
Deferred revenue - unavailable	42,619	-	225	42,844
Advances from other funds	37,135	-	-	37,135
Total Liabilities	\$ 87,975	\$ 2,997	\$ 1,841	\$ 92,813
Fund Balances				
Reserved for advances to other funds	\$ -	\$ -	\$ 37,135	\$ 37,135
Unreserved				
Designated for				
Building demolition	-	5,046	-	5,046
Cash flows	-	-	25,500	25,500
Undesignated	489,665	-	488,764	978,429
Total Fund Balances	\$ 489,665	\$ 5,046	\$ 551,399	\$ 1,046,110
Total Liabilities and Fund Balances	\$ 577,640	\$ 8,043	\$ 553,240	\$ 1,138,923

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Statement 4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Ditch</u>	<u>Forfeited Tax Sale</u>	<u>Solid Waste</u>	<u>Total (Statement 2)</u>
Revenues				
Taxes	\$ -	\$ -	\$ 25	\$ 25
Special assessments	185,356	-	-	185,356
Intergovernmental	-	-	55,475	55,475
Charges for services	1,395	-	-	1,395
Miscellaneous	-	15	6,393	6,408
Total Revenues	\$ 186,751	\$ 15	\$ 61,893	\$ 248,659
Expenditures				
Current				
Sanitation	\$ -	\$ -	\$ 44,869	\$ 44,869
Conservation of natural resources	46,218	11,962	-	58,180
Total Current	\$ 46,218	\$ 11,962	\$ 44,869	\$ 103,049
Debt Service				
Interest	\$ 2,430	\$ -	\$ -	\$ 2,430
Total Expenditures	\$ 48,648	\$ 11,962	\$ 44,869	\$ 105,479
Excess of Revenues Over (Under) Expenditures	\$ 138,103	\$ (11,947)	\$ 17,024	\$ 143,180
Fund Balance - January 1	351,562	16,993	534,375	902,930
Fund Balance - December 31	\$ 489,665	\$ 5,046	\$ 551,399	\$ 1,046,110

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2009**

	Elevator and Long's Bridge	Highway Capital Improvement
<u>Assets</u>		
Cash and pooled deposits and investments	\$ 102,192	\$ 138,632
Taxes receivable - prior	2,887	4,366
Contracts receivable	-	-
Due from other funds	-	-
	\$ 105,079	\$ 142,998
<u>Liabilities and Fund Balances</u>		
Liabilities		
Due to other funds	\$ -	\$ -
Deferred revenue - unavailable	2,113	3,195
	\$ 2,113	\$ 3,195
Fund Balances		
Reserved for debt service	\$ 102,966	\$ 139,803
	\$ 105,079	\$ 142,998

Statement 5

Law Enforcement Radio	Minimum Security Facility	Total (Statement 1)
\$ 85,198	\$ 97,718	\$ 423,740
2,475	3,298	13,026
98,044	-	98,044
-	5,404	5,404
<u>\$ 185,717</u>	<u>\$ 106,420</u>	<u>\$ 540,214</u>
\$ 5,404	\$ -	\$ 5,404
99,855	2,414	107,577
<u>\$ 105,259</u>	<u>\$ 2,414</u>	<u>\$ 112,981</u>
\$ 80,458	\$ 104,006	\$ 427,233
<u>\$ 185,717</u>	<u>\$ 106,420</u>	<u>\$ 540,214</u>

**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, 2009**

	Elevator and Long's Bridge	Highway Capital Improvement
Revenues		
Taxes	\$ 54,995	\$ 87,406
Intergovernmental	7,613	12,102
Total Revenues	\$ 62,608	\$ 99,508
Expenditures		
Debt Service		
Principal retirement	\$ 50,000	\$ 1,140,000
Interest	5,031	39,420
Total Expenditures	\$ 55,031	\$ 1,179,420
Excess of Revenues Over (Under) Expenditures	\$ 7,577	\$ (1,079,912)
Other Financing Sources (Uses)		
Transfers out	\$ -	\$ -
Proceeds from refunding bonds	-	1,118,575
Total Other Financing Sources (Uses)	\$ -	\$ 1,118,575
Net Change in Fund Balance	\$ 7,577	\$ 38,663
Fund Balance - January 1	95,389	101,140
Fund Balance - December 31	\$ 102,966	\$ 139,803

Statement 6

Law Enforcement Radio	Minimum Security Facility	Solid Waste Facility	Total (Statement 2)
\$ 57,053	\$ 64,424	\$ (173)	\$ 263,705
12,900	8,912	-	41,527
\$ 69,953	\$ 73,336	\$ (173)	\$ 305,232
\$ 55,000	\$ 365,000	\$ -	\$ 1,610,000
12,064	28,197	-	84,712
\$ 67,064	\$ 393,197	\$ -	\$ 1,694,712
\$ 2,889	\$ (319,861)	\$ (173)	\$ (1,389,480)
-	-	\$ (138,620)	\$ (138,620)
-	\$ 331,425	-	1,450,000
\$ -	\$ 331,425	\$ (138,620)	\$ 1,311,380
\$ 2,889	\$ 11,564	\$ (138,793)	\$ (78,100)
77,569	92,442	138,793	505,333
\$ 80,458	\$ 104,006	\$ -	\$ 427,233

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 152,000	\$ 152,000	\$ 185,356	\$ 33,356
Charges for services	-	-	1,395	1,395
Total Revenues	\$ 152,000	\$ 152,000	\$ 186,751	\$ 34,751
Expenditures				
Current				
Conservation of natural resources				
Administration	\$ -	\$ -	\$ 634	\$ (634)
Ditch maintenance and repairs	152,000	152,000	42,182	109,818
Middle River/Snake River Watershed	-	-	895	(895)
Red Lake Watershed	-	-	2,507	(2,507)
Total conservation of natural resources	\$ 152,000	\$ 152,000	\$ 46,218	\$ 105,782
Debt service				
Interest	-	-	2,430	(2,430)
Total Expenditures	\$ 152,000	\$ 152,000	\$ 48,648	\$ 103,352
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 138,103	\$ 138,103
Fund Balance - January 1	351,562	351,562	351,562	-
Fund Balance - December 31	\$ 351,562	\$ 351,562	\$ 489,665	\$ 138,103

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
FORFEITED TAX SALE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 15	\$ 15
Expenditures				
Current				
Conservation of natural resources				
Forfeited land	-	-	11,962	(11,962)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (11,947)	\$ (11,947)
Fund Balance - January 1	<u>16,993</u>	<u>16,993</u>	<u>16,993</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 16,993</u>	<u>\$ 16,993</u>	<u>\$ 5,046</u>	<u>\$ (11,947)</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ 25	\$ 25
Intergovernmental	55,000	55,000	55,475	475
Miscellaneous	43,000	43,000	6,393	(36,607)
Total Revenues	\$ 98,000	\$ 98,000	\$ 61,893	\$ (36,107)
Expenditures				
Current				
Sanitation				
Solid waste	\$ 46,000	\$ 46,000	\$ 6,621	\$ 39,379
Recycling	55,000	55,000	38,248	16,752
Total Expenditures	\$ 101,000	\$ 101,000	\$ 44,869	\$ 56,131
Excess of Revenues Over (Under) Expenditures	\$ (3,000)	\$ (3,000)	\$ 17,024	\$ 20,024
Fund Balance - January 1	534,375	534,375	534,375	-
Fund Balance - December 31	\$ 531,375	\$ 531,375	\$ 551,399	\$ 20,024

**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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 56,143	\$ 56,143	\$ 54,995	\$ (1,148)
Intergovernmental	7,465	7,465	7,613	148
Total Revenues	\$ 63,608	\$ 63,608	\$ 62,608	\$ (1,000)
Expenditures				
Debt service				
Principal retirement	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Interest	6,550	6,550	5,031	1,519
Total Expenditures	\$ 56,550	\$ 56,550	\$ 55,031	\$ 1,519
Excess of Revenues Over (Under) Expenditures	\$ 7,058	\$ 7,058	\$ 7,577	\$ 519
Fund Balance - January 1	95,389	95,389	95,389	-
Fund Balance - December 31	\$ 102,447	\$ 102,447	\$ 102,966	\$ 519

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 11

**BUDGETARY COMPARISON SCHEDULE
HIGHWAY CAPITAL IMPROVEMENT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 88,939	\$ 88,939	\$ 87,406	\$ (1,533)
Intergovernmental	11,950	11,950	12,102	152
Total Revenues	\$ 100,889	\$ 100,889	\$ 99,508	\$ (1,381)
Expenditures				
Debt service				
Principal retirement	\$ 40,000	\$ 40,000	\$ 1,140,000	\$ (1,100,000)
Interest	49,803	49,803	39,420	10,383
Total Expenditures	\$ 89,803	\$ 89,803	\$ 1,179,420	\$ (1,089,617)
Excess of Revenues Over (Under) Expenditures	\$ 11,086	\$ 11,086	\$ (1,079,912)	\$ (1,090,998)
Other Financing Sources (Uses)				
Proceeds from refunding bond	-	-	1,118,575	1,118,575
Net Change in Fund Balance	\$ 11,086	\$ 11,086	\$ 38,663	\$ 27,577
Fund Balance - January 1	101,140	101,140	101,140	-
Fund Balance - December 31	\$ 112,226	\$ 112,226	\$ 139,803	\$ 27,577

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 12

**BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT RADIO DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 58,086	\$ 58,086	\$ 57,053	\$ (1,033)
Intergovernmental	12,832	12,832	12,900	68
Total Revenues	\$ 70,918	\$ 70,918	\$ 69,953	\$ (965)
Expenditures				
Debt service				
Principal retirement	\$ 55,000	\$ 55,000	\$ 55,000	\$ -
Interest	12,083	12,083	12,064	19
Total Expenditures	\$ 67,083	\$ 67,083	\$ 67,064	\$ 19
Excess of Revenues Over (Under) Expenditures	\$ 3,835	\$ 3,835	\$ 2,889	\$ (946)
Fund Balance - January 1	77,569	77,569	77,569	-
Fund Balance - December 31	\$ 81,404	\$ 81,404	\$ 80,458	\$ (946)

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 13

**BUDGETARY COMPARISON SCHEDULE
MINIMUM SECURITY FACILITY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 65,090	\$ 65,090	\$ 64,424	\$ (666)
Intergovernmental	9,450	9,450	8,912	(538)
Total Revenues	\$ 74,540	\$ 74,540	\$ 73,336	\$ (1,204)
Expenditures				
Debt service				
Principal retirement	\$ 55,000	\$ 55,000	\$ 365,000	\$ (310,000)
Interest	15,467	15,467	28,197	(12,730)
Total Expenditures	\$ 70,467	\$ 70,467	\$ 393,197	\$ (322,730)
Excess of Revenues Over (Under) Expenditures	\$ 4,073	\$ 4,073	\$ (319,861)	\$ (323,934)
Other Financing Sources (Uses)				
Proceeds from refunding bonds	-	-	331,425	331,425
Net Change in Fund Balance	\$ 4,073	\$ 4,073	\$ 11,564	\$ 7,491
Fund Balance - January 1	92,442	92,442	92,442	-
Fund Balance - December 31	\$ 96,515	\$ 96,515	\$ 104,006	\$ 7,491

**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 7

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GROUP INSURANCE</u>				
<u>Assets</u>				
Cash and pooled deposits and investments	\$ 8,962	\$ 1,410,180	\$ 1,411,536	\$ 7,606
<u>Liabilities</u>				
Accounts payable	\$ 8,962	\$ 1,410,180	\$ 1,411,536	\$ 7,606
 <u>INTER-COUNTY NURSING SERVICE</u>				
<u>Assets</u>				
Cash and pooled deposits and investments	\$ 241,328	\$ 1,081,935	\$ 1,179,877	\$ 143,386
<u>Liabilities</u>				
Due to other governments	\$ 241,328	\$ 1,081,935	\$ 1,179,877	\$ 143,386
 <u>NORTHWEST MINNESOTA HOUSING REDEVELOPMENT AUTHORITY</u>				
<u>Assets</u>				
Cash and pooled deposits and investments	\$ 1	\$ 27,925	\$ 27,926	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 1	\$ 27,925	\$ 27,926	\$ -
 <u>NORTHWEST REGIONAL DEVELOPMENT COMMISSION</u>				
<u>Assets</u>				
Cash and pooled deposits and investments	\$ 1	\$ 21,997	\$ 21,998	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 1	\$ 21,997	\$ 21,998	\$ -

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

*Statement 7
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>PREPAID TAXES</u>				
<u>Assets</u>				
Cash and pooled deposits and investments	\$ 15,916	\$ 23,543	\$ 22,056	\$ 17,403
<u>Liabilities</u>				
Due to other funds	\$ 15,916	\$ 23,543	\$ 22,056	\$ 17,403
 <u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled deposits and investments	\$ 1	\$ 5,169,729	\$ 5,169,730	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 1	\$ 5,169,729	\$ 5,169,730	\$ -
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled deposits and investments	\$ 16,783	\$ 1,186,394	\$ 1,188,604	\$ 14,573
<u>Liabilities</u>				
Due to other governments	\$ 16,783	\$ 1,186,394	\$ 1,188,604	\$ 14,573
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled deposits and investments	\$ 225,171	\$ 15,180,861	\$ 15,229,078	\$ 176,954
Due from other funds	15,916		15,916	-
Total Assets	\$ 241,087	\$ 15,180,861	\$ 15,244,994	\$ 176,954
<u>Liabilities</u>				
Due to other governments	\$ 241,087	\$ 15,180,861	\$ 15,244,994	\$ 176,954

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

*Statement 7
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled deposits and investments	\$ -	\$ 2,382,114	\$ 2,382,114	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 2,382,114	\$ 2,382,114	\$ -
 <u>WATERSHEDS</u>				
<u>Assets</u>				
Cash and pooled deposits and investments	\$ -	\$ 360,003	\$ 360,003	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 360,003	\$ 360,003	\$ -
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled deposits and investments	\$ 508,163	\$ 26,844,681	\$ 26,992,922	\$ 359,922
Due from other funds	15,916	-	15,916	-
Total Assets	\$ 524,079	\$ 26,844,681	\$ 27,008,838	\$ 359,922
<u>Liabilities</u>				
Accounts payable	\$ 8,962	\$ 1,410,180	\$ 1,411,536	\$ 7,606
Due to other funds	15,916	23,543	22,056	17,403
Due to other governments	499,201	25,410,958	25,575,246	334,913
Total Liabilities	\$ 524,079	\$ 26,844,681	\$ 27,008,838	\$ 359,922

OTHER SCHEDULES

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2009**

	Assets		
	Cash	Special Assessments Receivable	
		Prior	Noncurrent
County Ditches			
1 - Rocksbury/North	\$ 1,307	\$ 56	\$ -
1 - Rocksbury/Sanders	10,851	-	-
16	4,007	17	-
21	1,069	209	-
32	12,761	1	-
33	505	5	-
35	1,185	318	-
36	35,467	197	-
37	7,349	92	-
38	26,541	608	-
39	5,647	374	-
41	28,434	806	-
42	949	-	-
43	7,932	71	-
44	28,491	100	-
45	8,032	75	-
46	5,818	6	-
47	11,374	3	-
49	-	1	-
51	10	2	-
53	13,841	12	-
55	1,235	12	-
57	11,417	16	-
58	12,300	45	-
59	4,032	25	-
62	10,993	339	-
70	29,787	174	-
71	6,733	11	-
73	2,320	-	-
74	536	-	-
75	32,182	281	-
77	16,219	12	-
79	-	-	-
96	20,478	480	-
109-2	550	195	35,078
Joint County Ditches			
1	5,884	167	-
11	5,347	101	-
13	17,536	2,859	-
15	7,534	928	-
18	36,961	114	-
25 - Branch 3	52,768	254	-
30	31,676	387	-
30 - Branch A	1,955	-	-
31	9,408	392	-
60	361	-	-
13 Red Lk/Penn	728	-	-
Watershed Ditches			
JD 14	192	22	-
122 - Challenger Project	141	537	-
Total	\$ 530,843	\$ 10,304	\$ 35,078

Schedule 14

<u>Due from Other Funds</u>	<u>Due from Other Governments</u>	<u>Due from Other Ditches</u>	<u>Total</u>
\$ 6	\$ -	\$ -	\$ 1,369
-	-	-	10,851
-	-	-	4,024
-	-	-	1,278
-	-	-	12,762
-	-	-	510
-	-	-	1,503
-	-	-	35,664
-	-	-	7,441
-	-	-	27,149
-	-	-	6,021
-	-	-	29,240
-	-	-	949
-	-	-	8,003
-	-	-	28,591
-	-	-	8,107
-	-	-	5,824
-	-	-	11,377
-	-	-	1
-	-	-	12
-	-	-	13,853
-	-	-	1,247
-	-	-	11,433
-	-	-	12,345
-	-	-	4,057
-	-	-	11,332
-	-	-	29,961
-	-	-	6,744
-	-	-	2,320
-	-	-	536
-	-	-	32,463
-	-	-	16,231
14	-	-	14
-	-	-	20,958
-	-	-	35,823
-	596	-	6,647
-	23	-	5,471
-	211	-	20,606
-	69	-	8,531
-	243	-	37,318
-	-	29,000	82,022
-	113	24,000	56,176
-	-	-	1,955
-	68	-	9,868
-	72	-	433
-	-	-	728
-	-	-	214
-	-	-	678
\$ 20	\$ 1,395	\$ 53,000	\$ 630,640

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2008**

	Liabilities				
	Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Advances from Other Funds
County Ditches					
1 - Rocksbury/North	\$ -	\$ -	\$ -	\$ 41	\$ -
1 - Rocksbury/Sanders	-	-	-	-	-
16	-	-	-	12	-
21	297	671	-	153	-
32	-	-	-	1	-
33	-	-	-	4	-
35	-	-	-	233	-
36	-	-	-	144	-
37	-	-	-	67	-
38	-	-	-	445	-
39	-	-	-	274	-
41	-	-	-	590	-
42	-	-	-	-	-
43	-	-	-	52	-
44	-	-	-	73	-
45	-	-	-	55	-
46	-	-	-	4	-
47	-	-	-	2	-
49	-	-	-	1	-
51	-	-	-	1	-
53	-	-	-	9	-
55	-	-	-	9	-
57	-	-	-	12	-
58	-	-	-	33	-
59	-	-	-	18	-
62	-	1,096	-	248	-
70	-	-	-	127	-
71	-	-	-	8	-
73	-	-	-	-	-
74	-	-	-	-	-
75	-	-	-	206	-
77	-	-	-	9	-
79	-	-	-	-	-
96	-	248	-	351	-
109-2	-	-	-	35,221	36,446
Joint County Ditches					
1	-	899	-	122	-
11	-	-	-	74	-
13	-	-	-	2,092	-
15	-	-	671	679	-
18	-	-	434	83	-
25 - Branch 3	-	-	-	186	-
30	-	-	-	279	-
30 - Branch A	-	-	-	-	-
31	-	-	3,850	292	-
60	-	-	55	-	-
31 Red Lk/Penn	-	-	-	-	-
Watershed Ditches					
JD 14	-	-	-	16	-
122 - Challenger Project	-	-	-	393	689
Total	\$ 297	\$ 2,914	\$ 5,010	\$ 42,619	\$ 37,135

Schedule 14
(Continued)

<u>Due to Other Ditches</u>	<u>Total</u>	<u>Fund Balances Unreserved Undesignated</u>	<u>Total Liabilities and Fund Balances</u>
\$ 21,000	\$ 21,041	\$ (19,672)	\$ 1,369
-	-	10,851	10,851
-	12	4,012	4,024
-	1,121	157	1,278
-	1	12,761	12,762
2,000	2,004	(1,494)	510
-	233	1,270	1,503
-	144	35,520	35,664
-	67	7,374	7,441
-	445	26,704	27,149
-	274	5,747	6,021
-	590	28,650	29,240
7,000	7,000	(6,051)	949
-	52	7,951	8,003
-	73	28,518	28,591
-	55	8,052	8,107
-	4	5,820	5,824
-	2	11,375	11,377
-	1	-	1
-	1	11	12
-	9	13,844	13,853
20,000	20,009	(18,762)	1,247
-	12	11,421	11,433
-	33	12,312	12,345
-	18	4,039	4,057
-	1,344	9,988	11,332
-	127	29,834	29,961
-	8	6,736	6,744
-	-	2,320	2,320
-	-	536	536
-	206	32,257	32,463
-	9	16,222	16,231
-	-	14	14
-	599	20,359	20,958
-	71,667	(35,844)	35,823
-	1,021	5,626	6,647
-	74	5,397	5,471
3,000	5,092	15,514	20,606
-	1,350	7,181	8,531
-	517	36,801	37,318
-	186	81,836	82,022
-	279	55,897	56,176
-	-	1,955	1,955
-	4,142	5,726	9,868
-	55	378	433
-	-	728	728
-	16	198	214
-	1,082	(404)	678
\$ 53,000	\$ 140,975	\$ 489,665	\$ 630,640

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 15

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009**

Shared Revenue

State

County program aid	\$	902,357
Disparity reduction aid		94,958
Enhanced 911		55,469
Highway users tax		2,850,960
Market value credit		631,109
PERA rate reimbursement		16,384
Police state aid		53,270
		53,270

Total Shared Revenue **\$ 4,604,507**

Payments

Payments in lieu of taxes	\$	51,159
City of Thief River Falls		5,000
		5,000

Total Payments **\$ 56,159**

Grants

State

Minnesota Department/Board of

Corrections	\$	98,339
Human Services		854,003
Natural Resources		73,460
Peace Officers Standards and Training		4,757
Pollution Control		55,475
Public Safety		37,431
Water and Soil Resources		51,080
		51,080

Total State **\$ 1,174,545**

Federal

Department of

Agriculture	\$	101,333
Justice		64,199
Transportation		1,248,802
Health and Human Services		1,351,206
Homeland Security		83,419
		83,419

Total Federal **\$ 2,848,959**

Total Grants **\$ 4,023,504**

Total Intergovernmental Revenue **\$ 8,684,170**

MANAGEMENT AND COMPLIANCE SECTION

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 16

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for 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:

Highway Planning and Construction	CFDA #20.205
Child Support Enforcement Cluster	
Child Support Enforcement - ARRA	CFDA #93.563
Child Support Enforcement	CFDA #93.563
Medical Assistance Program Cluster	
Medical Assistance Program - ARRA	CFDA #93.778
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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 16
(Continued)

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.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 16
(Continued)

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

Six of the 48 active individual ditch systems had deficit unreserved, undesignated fund balances at December 31, 2009, totaling \$82,227, the largest being \$35,844. 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.

PREVIOUSLY REPORTED ITEM RESOLVED

07-3 Road and Bridge Special Revenue Fund Balance Deficit

The Road and Bridge Special Revenue fund has a deficit unreserved, undesignated fund balance of \$1,188,423 at December 31, 2008.

Resolution:

At December 31, 2009, the Road and Bridge Special Revenue Fund did not have a deficit unreserved, undesignated fund balance.



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

Board of County Commissioners
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, 2009, and have issued our report thereon dated September 16, 2010. 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 Local Government*, 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 Local Government* contains seven applicable 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 written 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, PLLC

September 16, 2010



Colleen Hoffman, Manager
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners
Pennington County

Compliance

We have audited the compliance of Pennington County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to its major federal programs for the year ended December 31, 2009. 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 programs are 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 the 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 on the County's compliance with those requirements.

In our opinion, the Pennington County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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, 2009, and have issued our report thereon dated September 16, 2010. Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information 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 16, 2010

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 17

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Human Services Supplemental Nutrition Assistance Program	10.551	\$ 1,100
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	100,233
Total U.S. Department of Agriculture		\$ 101,333
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	\$ 64,199
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,247,644
Passed Through Minnesota Department of Public Safety Safety Belt Performance Grants	20.609	1,158
Total U.S. Department of Transportation		\$ 1,248,802
U.S. Department of Health and Human Services		
Passed Through Northwest Regional Development Commission Special Programs for the Aging - Title III B	93.044	\$ 6,690
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	5,992
Temporary Assistance for Needy Families	93.558	117,032
Child Support Enforcement Cluster		
Child Support Enforcement - ARRA	93.563	\$ 28,136
Child Support Enforcement	93.563	290,938
Refugee and Entrant Assistance State Administered Programs	93.566	248
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	9,217
Child Welfare Services	93.645	2,447
Foster Care Title IV-E Cluster		
Foster Care Title IV-E - ARRA	93.658	\$ 1,026
Foster Care Title IV-E	93.658	90,610
Social Services Block Grant	93.667	137,187
Chafee Foster Care Independence Program	93.674	1,425

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

***Schedule 17
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number		Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
Medical Assistance Program Cluster			
Medical Assistance Program - ARRA	93.778	\$ 8,248	
Medical Assistance Program	93.778	<u>652,010</u>	\$ 660,258
Total U.S. Department of Health and Human Services			<u>\$ 1,351,206</u>
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance	97.036		\$ 52,395
Emergency Management Performance Grants	97.042		22,024
Passed Through Clay County			
Homeland Security Grant Program	97.067		<u>9,000</u>
Total U.S. Department of Homeland Security			<u>\$ 83,419</u>
Total Federal Awards			<u>\$ 2,848,959</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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, 2009. 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. Subrecipients

During 2009, the County did not pass any federal money to subrecipients.

V. 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.