

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

YEAR ENDED DECEMBER 31, 2013

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

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**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

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## **INTRODUCTORY SECTION**

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2013**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
<b>Commissioners</b>		
1 <sup>st</sup> District	Donald Jensen	January 2017
2 <sup>nd</sup> District	Cody Hempel, Chair	January 2017
3 <sup>rd</sup> District	Neil Peterson	January 2015
4 <sup>th</sup> District	Darryl Tveitbakk	January 2015
5 <sup>th</sup> District	Oliver Swanson	January 2017
<b>Officers</b>		
Elected:		
Attorney	Alan Rogalla	January 2015
Auditor-Treasurer	Kenneth Olson	January 2015
Recorder	Kenneth Schmalz	January 2015
Sheriff	Ray Kuznia	January 2015
Appointed:		
Assessor	Adeline Olson	January 2017
Coroner	Sanjay Patel	January 2015
Highway Engineer	Michael Flaagan	May 2018
Human Services Director	Kenneth Yutrzenka	Indefinite
Solid Waste Officer	Howard Person	Indefinite
Veterans Service Officer	Steve Stone	Indefinite

**FINANCIAL SECTION**



**GOVERNMENTAL AUDIT SERVICES**

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

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

**INDEPENDENT AUDITOR'S REPORT**

Board of County Commissioners  
Pennington County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pennington County, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the 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, Minnesota, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes I and II, Pennington County has implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously as Assets and Liabilities*, which required a change in accounting principles and resulted in adjustments to beginning net position. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

## **Accompanying Information**

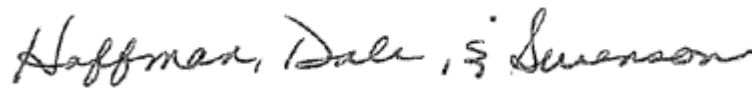
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pennington County's basic financial statements. The introductory section, the supplementary information, and the other schedules section, as listed in the table of contents, are presented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



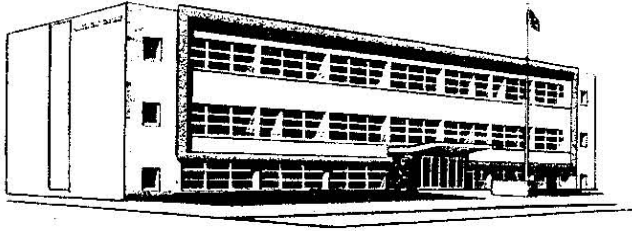
statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2014, 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* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Hoffman, Dale, & Swenson".

Hoffman, Dale, & Swenson, PLLC  
September 5, 2014



# 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, 2013. 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 position of governmental activities is \$64,524,992, of which \$50,713,080 is the net investment in capital assets, \$2,987,705 is restricted for specific purposes, and \$10,824,207 is unrestricted. The total net position of governmental activities increased by \$3,859,201 for the year ended December 31, 2013. This is attributed mainly to road construction funded by County State Aid Highway grants.

At the close of 2013, the County's governmental funds reported combined ending fund balances of \$12,152,984, an increase of \$653,094, from the prior year. Of the total fund balance amount, \$371,225 is non-spendable, \$1,898,858 is legally or contractually restricted, \$6,412,396 is formally committed for specific purposes, and \$3,470,505 is assigned for specific purposes. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

“Equal Opportunity Employer”

The *Statement of Net Position* presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

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

### **Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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

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

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

## **Notes to the Financial Statements**

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$64,524,992 at the close of 2013. The largest portion of the County's net position (approximately 79 percent) reflects its net investment in capital assets (i.e., land, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately five percent of the County's net position is restricted and 16 percent of the County's net position is unrestricted. The unrestricted net position amount of \$10,824,207, as of December 31, 2013, 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 \$4,554,978, from the prior year, due to completed highway construction projects added to infrastructure and various equipment purchases. Total liabilities increased by \$938,068, from the prior year, as a result of increased contracts payable and OPEB liability. This resulted in an increased net position of \$5,493,046 from the prior year.

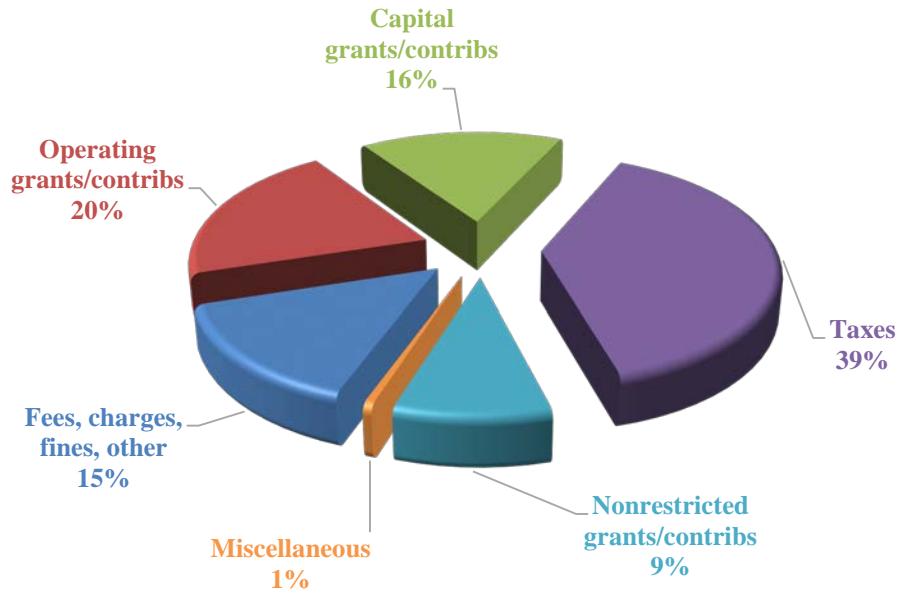
**NET POSITION**

	Governmental Activities	
	2012 as restated	2013
Current and other assets	\$ 13,838,408	\$ 15,314,092
Capital assets	50,402,839	53,482,133
Total assets	\$ 64,241,247	\$ 68,796,225
Other liabilities	\$ 3,998,694	\$ 1,187,894
Long-term liabilities outstanding	2,844,452	3,083,339
Total liabilities	\$ 6,843,146	\$ 4,271,233
Net position		
Net investment in capital assets	\$ 48,361,723	\$ 50,713,080
Restricted	1,898,309	2,987,705
Unrestricted	10,405,759	10,824,207
Total net position	\$ 60,665,791	\$ 64,524,992

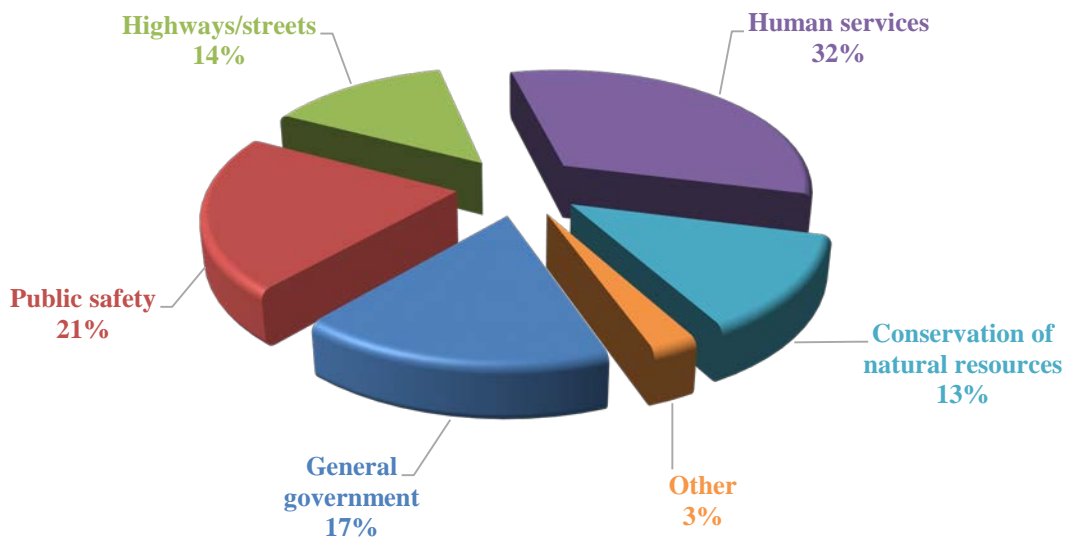
**CHANGES IN NET POSITION**

	Governmental Activities	
	2012	2013
Revenues		
Program Revenues		
Fees, charges, fines and other	\$ 2,331,138	\$ 2,730,914
Operating grants and contributions	3,833,153	3,822,154
Capital grants and contributions	2,208,965	3,047,514
General Revenues		
Taxes	6,946,579	7,344,943
Grants and contributions not restricted to specific programs	1,019,042	1,717,475
Payments in lieu of taxes	34,024	37,393
Investment earnings	29,603	37,331
Total revenues	\$ 16,402,504	\$ 18,737,724
Expenses		
General government	\$ 2,314,163	\$ 2,521,950
Public safety	3,087,412	3,136,721
Highways and streets	4,301,833	2,034,583
Sanitation	51,828	75,957
Human services	4,905,928	4,816,575
Health	54,421	53,316
Culture and recreation	209,478	224,341
Conservation of natural resources	548,204	1,911,535
Economic development	29,575	10,100
Interest	71,785	93,445
Total expenses	\$ 15,574,627	\$ 14,878,523
Increase (decrease)	\$ 827,877	\$ 3,859,201
Net assets, January 1, as previously reported	58,204,069	-
Prior period adjustment	1,633,845	-
Net position, January 1, as restated	-	60,665,791
Net position, December 31	\$ 60,665,791	\$ 64,524,992

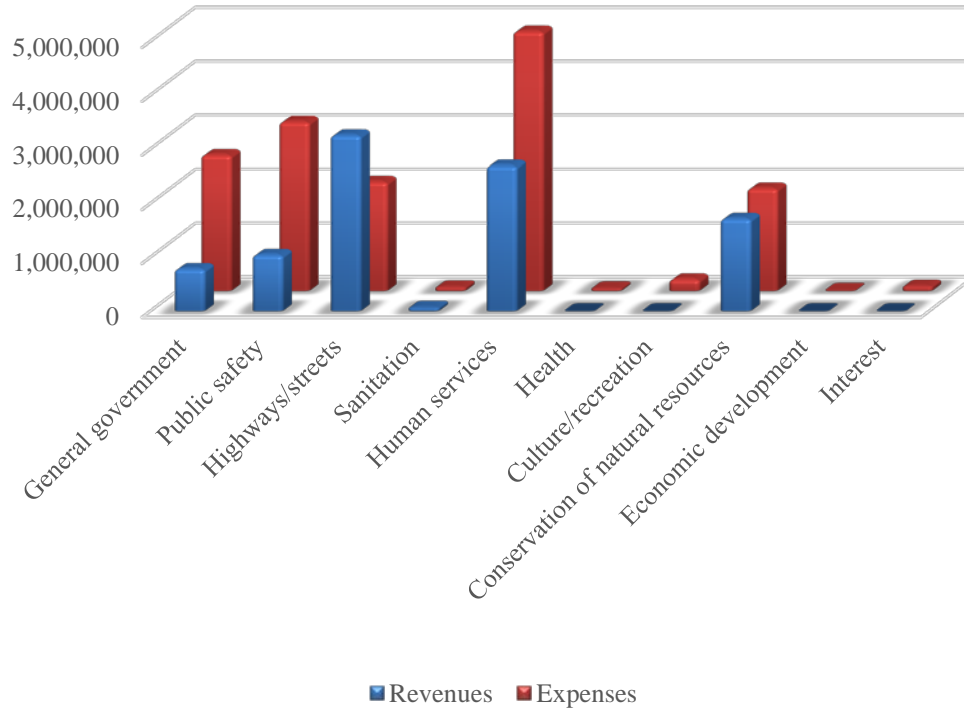
## Revenues by Source



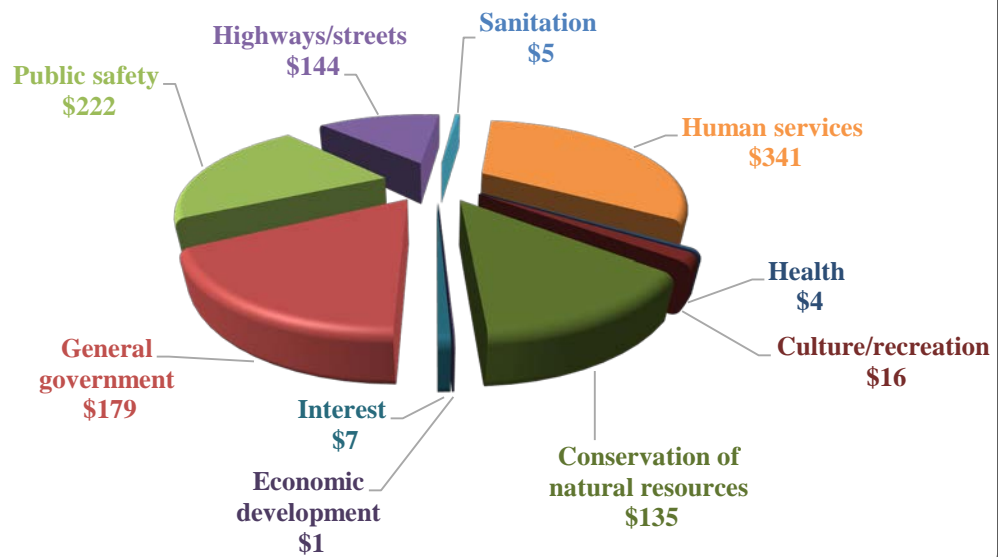
## Expenses by Function



## Program Revenues & Expenses



## Expenditure Per Capita 14,118 Population as of July 1, 2013



## **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, unrestricted 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 2013, the County's governmental funds reported combined ending fund balances of \$12,152,984. Of this amount, approximately 3 percent constitutes non-spendable fund balance, 16 percent constitutes legally or contractually restricted fund balance, 53 percent constitutes formally committed fund balance, and 28 percent constitutes specifically assigned 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 \$5,211,661. The General Fund's restricted fund balance was \$765,132 and committed fund balance was \$4,446,529. As a measure of the General Fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures for 2013. Unrestricted fund balance represents 69 percent of total General Fund expenditures, while total fund balance represents 81 percent of that same amount.

In 2013, the fund balance amount in the General Fund increased by \$37,557, due to cuts in departmental spending.

The fund balance of the Road and Bridge Special Revenue Fund increased \$672,790 in 2013, due to the receipt of payments from County State Aid Highway funding.

The fund balance of the Human Services Special Revenue Fund increased \$235,391 from the prior year, due to a reduction in the number of out-of-home placements.

The fund balance of the Ditch Special Revenue Fund decreased \$190,657 from the prior year, due to the cost of two large Red Lake Watershed projects.

The fund balance of the Capital Improvement Special Revenue Fund decreased \$172,629 from the prior year due to courthouse improvement projects.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

There was one amendment to the original budget as approved for 2013 consisting of an increase in expenditures for personnel services of \$64,596 due to the addition of an assistant County Attorney position.

Actual revenues were more than overall budgeted revenues by \$372,860, with the largest positive variances in intergovernmental revenues and charges for services. Actual expenditures were less than overall final budgeted expenditures by \$62,516, primarily as a result of delayed capital outlay for public safety equipment.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets**

The County's investment in capital assets for its governmental activities as of December 31, 2013 amounted to \$53,482,133 (net of accumulated depreciation). The total increase in the County's investment in capital



assets for the current fiscal year was less than one percent. This was primarily due to completed highway projects added to infrastructure and various equipment purchases.

	Governmental Activities	
	2013	2012
Land	\$ 464,569	\$ 464,569
Construction in progress	1,803,733	-
Infrastructure	48,068,388	47,169,000
Buildings and improvements	1,667,029	1,625,827
Machinery and equipment	1,478,414	1,143,443
Total capital assets	\$ 53,482,133	\$ 50,402,839

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 \$2,757,802 which is backed by the full faith and credit of the government.

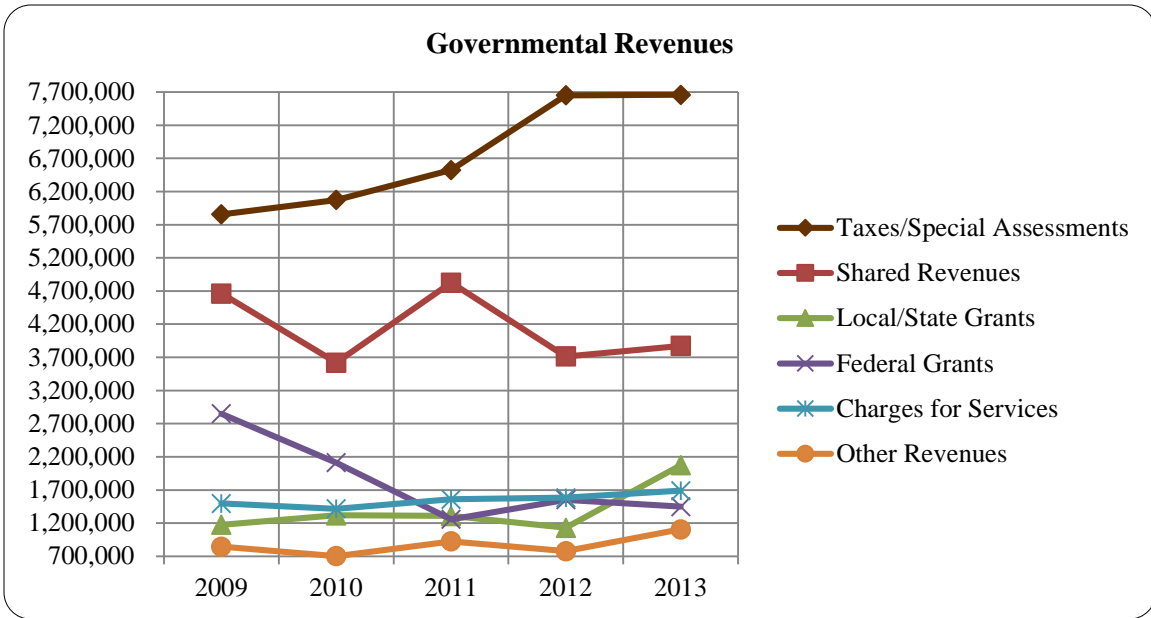
	Governmental Activities	
	2013	2012
General Obligation Bonds (net of discount)	\$ 1,944,802	\$ 1,140,116
General Obligation Highway State-Aid Note	813,000	901,000
	\$ 2,757,802	\$ 2,041,116

The County’s net increase in debt of \$716,686 or 36 percent during the fiscal year was attributable to the repayment of debt and the issuance of \$1,035,000 General Obligation Bonds of 2013. 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 2013, overall debt of the County is below the three percent debt limit.

Pennington County’s bond rating is “AA-” from Standard & Poor’s. Additional information on the County’s long-term debt can be found in the notes to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

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



- The unemployment rate for Pennington County was 5.4 percent as of December 31, 2013. This is higher than the statewide rate of 4.7 percent and lower than the national average rate of 6.5 percent.
- Pennington County’s population at July 1, 2013 was 14,118, an increase of 188 since 2010. This ranks Pennington County 59<sup>th</sup> of 87 in the State of Minnesota.
- On December 17, 2013, Pennington County set its 2014 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-Treasurer, P.O. Box 616, Thief River Falls, Minnesota 56701.

## **BASIC FINANCIAL STATEMENTS**

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

		<b>Governmental Activities</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$	12,240,126
Taxes receivable - prior		234,397
Special assessments receivable - prior		10,346
Accounts receivable		73,720
Notes receivable		4,000
Accrued interest receivable		4,003
Due from other governments		1,393,613
Inventories		272,099
Special assessments - noncurrent		1,081,788
Capital assets		
Non-depreciable		2,268,302
Depreciable - net of accumulated depreciation		51,213,831
		<hr/>
<b>Total Assets</b>	<b>\$</b>	<b>68,796,225</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$	304,745
Salaries payable		147,115
Contracts payable		89,613
Due to other governments		94,986
Accrued interest payable		32,202
Long-term liabilities		
Due within one year		819,282
Due in more than one year		2,783,290
		<hr/>
<b>Total Liabilities</b>	<b>\$</b>	<b>4,271,233</b>
<b><u>Net Position</u></b>		
Net investment in capital assets	\$	50,713,080
Amounts restricted for		
General government		292,866
Public safety		334,347
Highways and streets		1,350,236
Conservation of natural resources		640,312
Debt service		369,944
Unrestricted amounts		10,824,207
		<hr/>
<b>Total Net Position</b>	<b>\$</b>	<b>64,524,992</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Revenues			Net (Expense)	
Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
<b>Functions/Programs</b>					
<b>Governmental activities</b>					
General government	\$ 2,521,950	\$ 789,483	\$ -	\$ -	\$ (1,732,467)
Public safety	3,136,721	809,177	222,939	19,550	(2,085,055)
Highways and streets	2,034,583	256,746	1,257,283	1,748,037	1,227,483
Sanitation	75,957	15,673	55,950	-	(4,334)
Human services	4,816,575	626,421	2,076,039	-	(2,114,115)
Health	53,316	-	-	-	(53,316)
Culture and recreation	224,341	-	-	-	(224,341)
Conservation of natural resources	1,911,535	233,414	209,943	1,279,927	(188,251)
Economic development	10,100	-	-	-	(10,100)
Interest	93,445	-	-	-	(93,445)
<b>Total governmental activities</b>	<b>\$ 14,878,523</b>	<b>\$ 2,730,914</b>	<b>\$ 3,822,154</b>	<b>\$ 3,047,514</b>	<b>\$ (5,277,941)</b>
<b>General revenues</b>					
Property taxes					\$ 7,318,062
Gravel taxes					26,881
Grants and contributions not restricted to specific programs					1,717,475
Payments in lieu of taxes					37,393
Investment earnings					37,331
<b>Total general revenues</b>					<b>\$ 9,137,142</b>
<b>Change</b>					<b>\$ 3,859,201</b>
<b>Net position - January 1, as previously reported</b>					<b>\$ 59,031,946</b>
<b>Prior period adjustment</b>					<b>1,633,845</b>
<b>Net position - January 1, as restated</b>					<b>\$ 60,665,791</b>
<b>Net position - December 31</b>					<b>\$ 64,524,992</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*EXHIBIT 3*

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<u>Special Revenue Funds</u>					<u>Other Governmental Funds (Statement 1)</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Ditch</u>	<u>Capital Improvement</u>		
<b><u>Assets</u></b>							
<b>Assets</b>							
Cash and pooled investments	\$ 4,950,120	\$ 1,882,702	\$ 1,735,818	\$ 638,845	\$ 1,956,117	\$ 1,076,524	\$ 12,240,126
Taxes receivable - prior	116,250	39,783	69,906	-	-	8,458	234,397
Special assessments receivable - prior	-	-	-	10,346	-	-	10,346
Accounts receivable	41,747	18,935	-	-	9,750	3,288	73,720
Notes receivable	-	-	-	-	4,000	-	4,000
Accrued interest receivable	4,003	-	-	-	-	-	4,003
Due from other funds	109,020	1,775	-	-	-	-	110,795
Due from other governments	288,394	925,392	178,463	1,364	-	-	1,393,613
Inventories	-	272,099	-	-	-	-	272,099
Advances to other funds	-	-	-	-	-	99,126	99,126
Special assessments - noncurrent	-	-	-	1,081,788	-	-	1,081,788
<b>Total Assets</b>	<b>\$ 5,509,534</b>	<b>\$ 3,140,686</b>	<b>\$ 1,984,187</b>	<b>\$ 1,732,343</b>	<b>\$ 1,969,867</b>	<b>\$ 1,187,396</b>	<b>\$ 15,524,013</b>
<b><u>Liabilities, Deferred Inflows and Fund Balances</u></b>							
<b>Liabilities</b>							
Accounts payable	\$ 94,952	\$ 42,004	\$ 163,855	\$ 3,080	\$ -	\$ 854	\$ 304,745
Salaries payable	81,210	23,661	42,244	-	-	-	147,115
Contracts payable	-	89,613	-	-	-	-	89,613
Due to other funds	-	-	21,936	1,775	-	87,084	110,795
Due to other governments	37,035	13,098	43,255	1,367	-	231	94,986
Advances from other funds	-	-	-	99,126	-	-	99,126
<b>Total Liabilities</b>	<b>\$ 213,197</b>	<b>\$ 168,376</b>	<b>\$ 271,290</b>	<b>\$ 105,348</b>	<b>\$ -</b>	<b>\$ 88,169</b>	<b>\$ 846,380</b>
<b>Deferred Inflows</b>							
Taxes	\$ 84,676	\$ 28,978	\$ 50,920	\$ -	\$ -	\$ 6,161	\$ 170,735
Notes	-	-	-	-	4,000	-	4,000
Special assessments	-	-	-	1,089,324	-	-	1,089,324
County State Aid Highway Allotment	-	1,260,590	-	-	-	-	1,260,590
<b>Total Deferred Inflows</b>	<b>\$ 84,676</b>	<b>\$ 1,289,568</b>	<b>\$ 50,920</b>	<b>\$ 1,089,324</b>	<b>\$ 4,000</b>	<b>\$ 6,161</b>	<b>\$ 2,524,649</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	Special Revenue Funds				Capital Improvement	Other Governmental Funds (Statement 1)	Total Governmental Funds
	General Fund	Road and Bridge	Human Services	Ditch			
<b>Fund Balances</b>							
Non-spendable							
Advances to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,126	\$ 99,126
Inventories	-	272,099	-	-	-	-	272,099
Restricted for							
Attorney forfeited property	14,627	-	-	-	-	-	14,627
County State Aid Highway Allotment	-	89,646	-	-	-	-	89,646
Debt service	-	-	-	-	-	369,944	369,944
Drug and Alcohol Resistance Education	9,533	-	-	-	-	-	9,533
Enhanced 911	275,326	-	-	-	-	-	275,326
Forfeited land	-	-	-	-	-	136,465	136,465
Handgun permits	38,509	-	-	-	-	-	38,509
Law library	32,936	-	-	-	-	-	32,936
Conservation of natural resources	102,641	-	-	537,671	-	-	640,312
Probation	14,404	-	-	-	-	-	14,404
Recorder's equipment	143,646	-	-	-	-	-	143,646
SCORE	25,745	-	-	-	-	-	25,745
Sheriff's forfeited property	6,108	-	-	-	-	-	6,108
Technology	101,657	-	-	-	-	-	101,657
Committed to							
Capital improvements	2,835,633	-	-	-	1,965,867	-	4,801,500
Jail canteen	95,966	-	-	-	-	-	95,966
Juvenile restitution	11,902	-	-	-	-	-	11,902
Operations	1,500,000	-	-	-	-	-	1,500,000
Parents forever	3,028	-	-	-	-	-	3,028
Assigned to							
Highways and streets	-	1,320,997	-	-	-	-	1,320,997
Human services	-	-	1,661,977	-	-	-	1,661,977
Sanitation	-	-	-	-	-	487,531	487,531
<b>Total Fund Balances</b>	<b>\$ 5,211,661</b>	<b>\$ 1,682,742</b>	<b>\$ 1,661,977</b>	<b>\$ 537,671</b>	<b>\$ 1,965,867</b>	<b>\$ 1,093,066</b>	<b>\$ 12,152,984</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 5,509,534</b>	<b>\$ 3,140,686</b>	<b>\$ 1,984,187</b>	<b>\$ 1,732,343</b>	<b>\$ 1,969,867</b>	<b>\$ 1,187,396</b>	<b>\$ 15,524,013</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2013**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>12,152,984</b>
<p>Amounts reported for governmental activities in the Statement of Net Position 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>		53,482,133
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		2,524,649
<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	\$ (32,202)	
General obligation bonds	(1,944,802)	
General obligation notes	(813,000)	
Compensated absences payable	(594,457)	
Other post-employment benefits	(250,313)	(3,634,774)
<b>Net position of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b>64,524,992</b>



**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, 2013**

	Special Revenue Funds					Other Governmental Funds (Statement 2)	Total Governmental Funds
	General Fund	Road and Bridge	Human Services	Ditch	Capital Improvement		
<b>Revenues</b>							
Taxes	\$ 3,752,821	\$ 1,206,340	\$ 2,154,063	\$ -	\$ -	\$ 244,212	\$ 7,357,436
Special assessments	-	-	-	300,871	-	-	300,871
Licenses and permits	16,054	-	-	-	-	-	16,054
Intergovernmental	973,494	4,053,638	2,234,690	68,378	-	63,168	7,393,368
Charges for services	1,179,707	83,315	420,846	5,326	-	-	1,689,194
Land and timber sales	-	-	-	-	-	225,104	225,104
Fines and forfeitures	18,912	-	-	-	-	-	18,912
Investment earnings	36,456	-	-	875	-	-	37,331
Miscellaneous	386,956	173,431	205,575	-	27,000	15,688	808,650
<b>Total Revenues</b>	<b>\$ 6,364,400</b>	<b>\$ 5,516,724</b>	<b>\$ 5,015,174</b>	<b>\$ 375,450</b>	<b>\$ 27,000</b>	<b>\$ 548,172</b>	<b>\$ 17,846,920</b>
<b>Expenditures</b>							
<b>Current</b>							
General government	\$ 2,468,699	\$ -	\$ -	\$ -	\$ 5,350	\$ -	\$ 2,474,049
Public safety	3,078,101	-	-	-	-	-	3,078,101
Highways and streets	-	4,459,743	-	-	-	-	4,459,743
Sanitation	-	-	-	-	-	74,889	74,889
Human services	27,192	-	4,752,827	-	-	-	4,780,019
Health	53,316	-	-	-	-	-	53,316
Culture and recreation	223,339	-	-	-	-	-	223,339
Conservation of natural resources	334,564	-	-	1,576,332	-	1,570	1,912,466
Economic development	10,100	-	-	-	-	-	10,100
<b>Total Current</b>	<b>\$ 6,195,311</b>	<b>\$ 4,459,743</b>	<b>\$ 4,752,827</b>	<b>\$ 1,576,332</b>	<b>\$ 5,350</b>	<b>\$ 76,459</b>	<b>\$ 17,066,022</b>
<b>Debt Service</b>							
Principal retirement	\$ -	\$ 88,000	\$ -	\$ -	\$ -	\$ 240,000	\$ 328,000
Interest	-	28,292	-	21,863	-	35,661	85,816
<b>Total Debt Service</b>	<b>\$ -</b>	<b>\$ 116,292</b>	<b>\$ -</b>	<b>\$ 21,863</b>	<b>\$ -</b>	<b>\$ 275,661</b>	<b>\$ 413,816</b>
<b>Capital Outlay</b>							
General government	\$ 36,564	\$ -	\$ -	\$ -	\$ 194,279	\$ -	\$ 230,843
Public safety	231,218	-	-	-	-	-	231,218
Highways and streets	-	181,171	-	-	-	-	181,171
Human services	-	-	26,956	-	-	-	26,956
<b>Total Capital Outlay</b>	<b>\$ 267,782</b>	<b>\$ 181,171</b>	<b>\$ 26,956</b>	<b>\$ -</b>	<b>\$ 194,279</b>	<b>\$ -</b>	<b>\$ 670,188</b>
<b>Total Expenditures</b>	<b>\$ 6,463,093</b>	<b>\$ 4,757,206</b>	<b>\$ 4,779,783</b>	<b>\$ 1,598,195</b>	<b>\$ 199,629</b>	<b>\$ 352,120</b>	<b>\$ 18,150,026</b>

**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, 2013**

	Special Revenue Funds					Other Governmental Funds (Statement 2)	Total Governmental Funds
	General Fund	Road and Bridge	Human Services	Ditch	Capital Improvement		
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ (98,693)	\$ 759,518	\$ 235,391	\$ (1,222,745)	\$ (172,629)	\$ 196,052	\$ (303,106)
<b>Other Financing Sources (Uses)</b>							
Transfers in	\$ 136,250	\$ -	\$ -	\$ -	\$ -	\$ 10,840	\$ 147,090
Transfers out	-	-	-	(10,840)	-	(136,250)	(147,090)
Proceeds from issuance of bonds	-	-	-	1,042,928	-	-	1,042,928
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 136,250</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,032,088</b>	<b>\$ -</b>	<b>\$ (125,410)</b>	<b>\$ 1,042,928</b>
<b>Net Change in Fund Balance</b>	<b>\$ 37,557</b>	<b>\$ 759,518</b>	<b>\$ 235,391</b>	<b>\$ (190,657)</b>	<b>\$ (172,629)</b>	<b>\$ 70,642</b>	<b>\$ 739,822</b>
<b>Fund Balance - January 1</b>	<b>5,174,104</b>	<b>1,009,952</b>	<b>1,426,586</b>	<b>728,328</b>	<b>2,138,496</b>	<b>1,022,424</b>	<b>11,499,890</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>(86,728)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(86,728)</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,211,661</b>	<b>\$ 1,682,742</b>	<b>\$ 1,661,977</b>	<b>\$ 537,671</b>	<b>\$ 1,965,867</b>	<b>\$ 1,093,066</b>	<b>\$ 12,152,984</b>

**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, 2013**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 739,822**

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

Governmental funds report capital outlay as expenditures. However, in  
the Statement of Activities, the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 4,750,000	
Current year depreciation	(1,667,992)	
Net book value of assets disposed	<u>(2,714)</u>	3,079,294

Revenues in the Statement of Activities that do not provide current  
financial resources are not reported as revenues in the governmental funds.

Change in deferred inflows		890,804
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The issuance of long-term debt provides current financial resources to governmental  
funds, but increases long-term liabilities in the Statement of Net Position, while the  
repayment of the principal of long-term debt consumes the current financial resources  
of governmental funds. Neither transaction has any effect on net position.

Proceeds from issuance of debt		
General obligations bonds	\$ (1,042,928)	
Principal repayments		
Capital improvement bonds	240,000	
State-aid highway notes	<u>88,000</u>	(714,928)

Some expenses reported in the Statement of Activities do not require the  
use of current financial resources and, therefore, are not reported as  
expenditures in governmental funds.

Change in		
Amortization of discounts	\$ (1,758)	
Accrued interest payable	(5,871)	
Compensated absences payable	(19,776)	
Other post-employment benefits	(21,658)	
Inventories	<u>(86,728)</u>	(135,791)

**Change in net position of governmental activities (Exhibit 2) \$ 3,859,201**

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2013**

	<u>Agency (Statement 7)</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 469,693
Due from other funds	19,153
<b>Total Assets</b>	<b><u>\$ 488,846</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 17,282
Due to other funds	19,153
Due to other governments	452,411
<b>Total Liabilities</b>	<b><u>\$ 488,846</u></b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

**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). 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-Treasurer, 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 VI, subdivisions D and E, respectively.

**B. Basic Financial Statements**

**1. Government-Wide Statements**

The government-wide financial statements (i.e., the statement of net position 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 position, 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 position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those 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 and reports all financial resources of the general government not accounted for in another fund.

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

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

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

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

Additionally, the County reports the following fund types:

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

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

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

**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.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2013 were \$36,456. Total investment earnings were \$37,331.

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 Position or Equity

2. Receivables and Payables (Continued)

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

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

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

3. Inventories

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

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

4. Capital Assets

Capital assets, which include land, 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 Position or Equity (Continued)

5. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position by the County that is applicable to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County's deferred inflows of resources arise only under a modified basis of accounting that qualifies for reporting in this category. Accordingly, deferred inflows of resources are reported only in the governmental funds balance sheet, and recognized as an inflow of resources in the period that the amounts become available.

6. Employee Benefits

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

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

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 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 immediately expensed.

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.

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

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

8. Net Position and Fund Balance

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

In the fund financial statements, the County classifies governmental fund balances as follows:

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

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

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

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

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above mentioned categories, and negative fund balances in other governmental funds. The County does not have any unassigned fund balance at December 31, 2013.

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

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The County Board will set aside amounts by resolution as deemed necessary that can only be

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

8. Net Position and Fund Balance (Continued)

expended when major flood or other natural disaster repairs exist as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely.

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

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, deferred outflows, liabilities, and deferred inflows, and disclosure of contingent amounts 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.

10. Account Balance Reclassifications

Several account balances were reclassified for the year ended December 31, 2012, as previously reported. These reclassifications, due to the implementation of GASB Statements 65, were required in order to be consistent with the current year's presentation, and must be considered when comparing the financial statements of this report with those of prior reports.

11. Comparative Data

Comparative data has not been provided due to the implementation of GASB 65, however, comparative information may be provided in future years when prior year information is available.

II. Change in Accounting Principles

Effective January 1, 2013, the County implemented GASB Statements 65, which required a change in accounting principles and resulted in adjustments to beginning net position. The following table outlines the changes in net position as reported on the County's financial statements:

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

II. Change in Accounting Principles (Continued)

	Governmental Activities
Net position, December 31, 2012, as previously reported	\$ 59,031,946
Prior period adjustments	
Taxes	183,228
Notes	31,000
Special assessments	110,268
County State Aid Highway Allotment	1,309,349
Net position, January 1, 2013, as restated	\$ 60,665,791

III. Stewardship, Compliance, and Accountability

A. Individual Fund Deficits of Equity Accounts

Fourteen of the 50 active ditch systems incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following shows the restricted fund balance as of December 31, 2013:

Account balance	\$ 755,504
Account deficit	(217,833)
Fund Balance	\$ 537,671

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.

IV. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the County's total deposits and investments to the basic financial statements, as of December 31, 2013, are as follows:

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

IV. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Governmental funds	
Cash and pooled investments	\$ 12,240,126
Fiduciary funds	
Cash and pooled investments	<u>469,693</u>
Total cash and investments	<u>\$ 12,709,819</u>
Deposits	\$ 7,905,836
Cash on hand	1,775
Investments	<u>4,802,208</u>
Total deposits, cash on hand, and investments	<u>\$ 12,709,819</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, 2013, 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**

IV. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Investments (Continued)

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, § 118A.04, subdivision 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At December 31, 2013, the County had the following investments and maturities:

	Fair Value Less Than 1 Year
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	\$ 3,998,352
Wells Fargo Advantage Government Money Market	803,856
Total Investments	\$ 4,802,208
	100%

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.

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

IV. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Investments

Credit Risk (Continued)

The County's exposure to credit risk as of December 31, 2013, is as follows:

	<u>Moody's Rating</u>	<u>Fair Value</u>
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	N/A	\$ 803,856
Wells Fargo Advantage Government Money Market	Aaa	3,998,352
		\$ 4,802,208
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, 2013, 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. At December 31, 2013, the County's investments were not subject to concentration of credit risk.

2. Receivables

Receivables as of December 31, 2013, for the County's governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

	<u>Total Receivables</u>
Taxes	\$ 234,397
Special assessments	10,346
Accounts	73,720
Notes	4,000
Accrued interest	4,003
Due from other governments	1,393,613
Total	\$ 1,720,079

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

IV. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 464,569	\$ -	\$ -	\$ 464,569
Construction in progress	-	1,803,733		1,803,733
<b>Total capital assets not depreciated</b>	<b>\$ 464,569</b>	<b>\$ 1,803,733</b>	<b>\$ -</b>	<b>\$ 2,268,302</b>
Capital assets being depreciated				
Infrastructure	\$ 69,074,609	\$ 2,243,589	\$ -	\$ 71,318,198
Buildings and improvements	4,577,994	194,279	4,140	4,768,133
Machinery and equipment	4,038,453	508,399	383,926	4,162,926
<b>Total capital assets being depreciated</b>	<b>\$ 77,691,056</b>	<b>\$ 2,946,267</b>	<b>\$ 388,066</b>	<b>\$ 80,249,257</b>
Less: accumulated depreciation for				
Infrastructure	\$ 21,905,609	\$ 1,344,201	\$ -	\$ 23,249,810
Buildings and improvements	2,952,167	150,938	2,001	3,101,104
Machinery and equipment	2,895,010	172,853	383,351	2,684,512
<b>Total accumulated depreciation</b>	<b>\$ 27,752,786</b>	<b>\$ 1,667,992</b>	<b>\$ 385,352</b>	<b>\$ 29,035,426</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 49,938,270</b>	<b>\$ 1,278,275</b>	<b>\$ 2,714</b>	<b>\$ 51,213,831</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 50,402,839</b>	<b>\$ 3,082,008</b>	<b>\$ 2,714</b>	<b>\$ 53,482,133</b>

Depreciation Expense

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

General government	\$ 30,895
Public safety	101,823
Highways and streets, including depreciation of infrastructure assets	1,519,230
Human services	13,974
Sanitation	1,068
Culture and recreation	1,002
<b>Total Depreciation Expense</b>	<b>\$ 1,667,992</b>

Construction Contracts

The County has an active construction contracts for highways and streets as of December 31, 2013 with \$1,702,653 spent to date.



**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

IV. Detailed Notes on All Funds (Continued)

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2013, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	Human Services Special Revenue Fund	\$ 21,936	Reimbursements
	Other Governmental	87,084	Forfeited tax settlement
Total Due to General Fund		<u>\$ 109,020</u>	
Road and Bridge Special Revenue Fund	Ditch Special Revenue Fund	1,775	Charges for services
Total Due To/From Other Funds		<u>\$ 110,795</u>	

Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
Other Governmental	Ditch Special Revenue Fund	\$ 99,126	Cash deficit

This advance will be paid back.

C. Liabilities

Compensated Absences

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

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately \$483,251 at December 31, 2013, 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**

IV. Detailed Notes on All Funds

C. Liabilities (Continued)

Long-Term Debt

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2013
2004 G.O. Capital Improvement Bonds	2014	\$60,000-\$65,000	3.44	\$ 535,000	\$ 65,000
2009 G.O. Refunding Bonds	2019	\$120,000-\$185,000	3.4	1,450,000	845,000
2013 G.O. Drainage Bonds	2033	\$45,000-\$65,000	2.46	1,035,000	1,035,000
				\$ 3,020,000	\$ 1,945,000
Less: Net bond discount/premium					(198)
Total General Obligation Bonds, net of discount				\$ 3,020,000	\$ 1,944,802
2001 G.O. Highway State-Aid Note	2021	\$88,000-\$113,000	3.14	2,000,000	813,000
Total				\$ 5,020,000	\$ 2,757,802

Debt Service Requirements

Debt service requirements at December 31, 2013, were as follows:

2014	\$ 295,000	\$ 50,668	\$ 91,000	\$ 25,528	\$ 386,000	\$ 76,196
2015	165,000	43,776	94,000	22,671	259,000	66,447
2016	175,000	38,846	97,000	19,719	272,000	58,565
2017	175,000	33,656	100,000	16,674	275,000	50,330
2018	180,000	28,116	103,000	13,533	283,000	41,649
2019-2023	380,000	89,935	328,000	20,818	708,000	110,753
2024-2028	275,000	60,003			275,000	60,003
2029-2033	300,000	22,025			300,000	22,025
	\$ 1,945,000	\$ 367,025	\$ 813,000	\$ 118,943	\$ 2,758,000	\$ 485,968
Less: net bond discount/premium	(198)	-	-	-	(198)	-
Total	\$ 1,944,802	\$ 367,025	\$ 813,000	\$ 118,943	\$ 2,757,802	\$ 485,968

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2013 was as follows:

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

IV. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Changes in Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,150,000	\$ 1,035,000	\$ 240,000	\$ 1,945,000	\$ 295,000
Less: Bond discount	(9,884)	7,928	(1,758)	(198)	-
2001 General Obligation Highway State-Aid Note	901,000	-	88,000	813,000	91,000
Net OPEB Payable	228,655	55,287	33,629	250,313	-
Compensated Absences	<u>574,681</u>	<u>496,213</u>	<u>476,437</u>	<u>594,457</u>	<u>433,282</u>
Governmental Activities Long-Term Liabilities	<u>\$ 3,083,339</u>	<u>\$ 1,594,428</u>	<u>\$ 836,308</u>	<u>\$ 3,841,459</u>	<u>\$ 819,282</u>

V. 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.

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

V. Pension Plans and Other Post-Employment Benefits

Defined Benefits Plans

Plan Description (Continued)

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity is accrual rate is 3 percent for each year of service. For Public Employees Correctional Fund Members, the annuity accrual rate is 1.9 percent for each year of service.

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2013. Public Employees Police and Fire Fund members were required to contribute 9.60 percent of their annual covered salary in 2013. The contribution rate in the Public Employees Police and Fire Fund increased in 2014 to 10.20 percent. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2013.

The County is required to contribute the following percentages of annual covered payroll in 2013 and 2014:

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

V. Pension Plans and Other Post-Employment Benefits

Defined Benefits Plans

Funding Policy (Continued)

	2013	2014
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	7.25%	7.25%
Public Employees Police and Fire Fund	14.40%	15.30%
Public Employees Correctional Fund	8.75%	8.75%

The County's contributions for the years ending December 31, 2013, 2012, and 2011, 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
2013	\$ 266,186	\$ 65,358	\$ 76,719
2012	\$ 251,261	\$ 63,162	\$ 75,171
2011	\$ 242,639	\$ 61,917	\$ 73,102

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

Defined Contribution Plan

Three employees of Pennington County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minnesota Statute, Chapter 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

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 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, 2013, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 2,289	\$ 2,289
Percentage of covered payroll	5%	5%

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

V. Pension Plans and Other Post-Employment Benefits (Continued)

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. As of the January 1, 2011 actuarial valuation, there were approximately 121 participants in the plan, including three retirees and one spouse receiving payments.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$	55,287
Interest on net OPEB obligation		10,289
Adjustments to Annual Required Contribution		<u>(14,266)</u>
Annual OPEB cost (expense)	\$	51,310
Contributions made		<u>(29,652)</u>
Increase in net OPEB obligation	\$	21,658
Net OPEB Obligation - January 1, 2013		<u>228,655</u>
Net OPEB Obligation - December 31, 2013	\$	<u><u>250,313</u></u>

The County's annual OPEB cost for December 31, 2013 was \$51,310. The percentage of annual OPEB cost contributed to the plan was 57.8 percent, and the net OPEB obligation for 2013 was \$250,313. Currently, only two year's actuarial data is available. For trend information, refer to the Required Supplementary Information.

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

V. Pension Plans and Other Post-Employment Benefits

Other Post-Employment Benefits – (OPEB) (Continued)

Fund Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

In the January 1, 2011, actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Pennington County's implicit rate of return on the General Fund. The annual healthcare cost trend is 8.0 percent initially reduced to an ultimate rate of 5.0 percent over six years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2013, was 25 years.

VI. 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.

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

VI. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities (Continued)

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 \$460,000 per claim in 2012 and \$470,000 per claim in 2013. 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.

C. Joint Ventures

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

The HSEM Region 3 Emergency Managers Joint Powers Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, § 471.59 and Minnesota Statutes, Chapter 12. Members include Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties.

The purpose of the HSEM Region 3 Emergency Managers Joint Powers Board is to engage in planning, training, and/or the purchase of equipment in order to better respond to emergencies and natural and other disasters within HSEM Region 3; specifically within the jurisdictional boundaries of the member counties.



**PENNINGTON COUNTY  
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VI. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

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

The HSEM Region 3 Emergency Managers Joint Powers Board has no long-term debt. Financing will be provided by a Homeland Security Grant Program and other grant programs and awards. Complete financial information can be obtained from the Clay County Sheriff's Office, 915 9<sup>th</sup> Avenue North, Moorhead, Minnesota 56560.

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, 2013. 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.

**PENNINGTON COUNTY  
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VI. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northern Counties Land Use Coordinating Board (Continued)

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

The Land Use Coordinating Board has no long-term debt. Financing is provided by appropriations from member counties. Pennington County contributed \$2,000 to the Land Use Coordinating Board for the year ended December 31, 2013. 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 \$6,455 to the Waste Management Group for the year ended December 31, 2013. 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

**PENNINGTON COUNTY  
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VI. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

regional administration for the installation, operation, and maintenance of local and regional enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

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

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by annual contributions from members, reflective of the extent of participation and use of services. Pennington County did not contribute to the Northwest Regional Radio Board for the year ended December 31, 2013. Complete financial information can be obtained from Headwaters Regional Development Commission, P.O. Box 906, Bemidji, Minnesota 56619.

Northwest Minnesota Six County Joint Powers Board

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

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

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

Northwest Service Cooperative

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

The NWSC is governed by a Board of Directors consisting of school board members elected at large by their peers, one city representative, with a maximum of three at-large appointees and

**PENNINGTON COUNTY  
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VI. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northwest Service Cooperative (Continued)

three ex-officio superintendents. Pennington County contributed \$250 to the Cooperative for the year ended December 31, 2013. Complete financial information can be obtained from the Northwest Service Cooperative, 114 First Street West, Thief River Falls, Minnesota 56701.

Northwestern Counties Data Processing Security Association

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

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

The Northwestern Counties Data Processing Security Association has no long-term debt. Financing is provided by state grants and appropriations from member counties when needed. Pennington County did not contribute to the Association for the year ended December 31, 2013. 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-Treasurer's Office, 206 8<sup>th</sup> 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**

VI. Summary of Significant Contingencies and Other Items

C. 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**

VI. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Red Lake River Corridor (Continued)

Financing is provided by contributions from members. The County did not contribute to the Board in 2013. Complete financial information can be obtained from the Treasurer, Stacy Myhrer, 102 Broadway Avenue North, St. Hilaire, Minnesota 56754.

Thief River Falls Regional Airport Authority

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

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

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

Financing is provided by state and federal grants, charges for services, and appropriations and property tax levies, pursuant to Minnesota Statute, § 275.066. Pennington County did not contribute to the Airport Authority for the year ended December 31, 2013. Complete financial information can be obtained from the Thief River Falls Regional Airport Authority, P.O. Box 672, Thief River Falls, Minnesota 56701.

D. Jointly-Governed Organizations

Job Training Partnership Act Joint Powers Agreement

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

Minnesota Counties Computer Consortium

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

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

VI. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

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, 2013.

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 2013.

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 \$100,000 to the Library for the year ended December 31, 2013.

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

**PENNINGTON COUNTY  
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VI. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Northwest Workforce Service Area (Continued)

and result in improved workforce quality, reduced welfare dependency, and enhanced productivity and competitiveness.

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

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

Pennington County Family Service Collaborative

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

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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 3,712,025	\$ 3,712,025	\$ 3,752,821	\$ 40,796
Licenses and permits	4,013	4,013	16,054	12,041
Intergovernmental	776,840	776,840	973,494	196,654
Charges for services	1,104,262	1,104,262	1,179,707	75,445
Fines and forfeitures	19,700	19,700	18,912	(788)
Investment earnings	25,000	25,000	36,456	11,456
Miscellaneous	349,700	349,700	386,956	37,256
<b>Total Revenues</b>	<b>\$ 5,991,540</b>	<b>\$ 5,991,540</b>	<b>\$ 6,364,400</b>	<b>\$ 372,860</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 217,801	\$ 217,801	\$ 219,488	\$ (1,687)
District court	21,500	21,500	16,253	5,247
Law library	15,700	15,700	13,591	2,109
County administration	1,000	1,000	1,445	(445)
County auditor	329,896	329,896	326,198	3,698
License bureau	217,413	217,413	212,409	5,004
County treasurer	151,969	151,969	134,793	17,176
County assessor	243,931	243,931	235,655	8,276
Elections	10,000	10,000	11,507	(1,507)
Data processing	130,002	130,002	194,361	(64,359)
Attorney	333,996	398,592	397,644	948
Recorder	370,839	370,839	229,114	141,725
Buildings and grounds	307,521	307,521	309,925	(2,404)
Veterans service officer	78,226	78,226	80,041	(1,815)
Insurance	35,000	35,000	35,199	(199)
Other general government	54,500	54,500	51,076	3,424
<b>Total general government</b>	<b>\$ 2,519,294</b>	<b>\$ 2,583,890</b>	<b>\$ 2,468,699</b>	<b>\$ 115,191</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Schedule 1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 858,369	\$ 858,369	\$ 870,377	\$ (12,008)
Coroner	12,258	12,258	28,577	(16,319)
County jail	1,053,663	1,053,663	1,095,280	(41,617)
DARE program	4,000	4,000	1,747	2,253
Enhanced 911	16,500	16,500	56,580	(40,080)
Emergency services	40,000	40,000	38,984	1,016
Jail canteen fund	42,500	42,500	52,323	(9,823)
Juvenile justice	5,000	5,000	3,603	1,397
Law enforcement center	561,776	561,776	604,027	(42,251)
Probation and parole	37,000	37,000	43,539	(6,539)
Sentence to service	186,256	186,256	204,461	(18,205)
Toward zero deaths	-	-	15,695	(15,695)
Training	6,000	6,000	6,560	(560)
Victim assistance	46,500	46,500	56,348	(9,848)
Other public safety	2,000	2,000	-	2,000
<b>Total public safety</b>	<b>\$ 2,871,822</b>	<b>\$ 2,871,822</b>	<b>\$ 3,078,101</b>	<b>\$ (206,279)</b>
<b>Human Services</b>				
Buildings and grounds	\$ 42,400	\$ 42,400	\$ 27,192	\$ 15,208
<b>Health</b>				
Nursing service	\$ 50,000	\$ 50,000	\$ 49,906	\$ 94
County health officer	958	958	257	701
Parenting education	3,000	3,000	3,153	(153)
<b>Total health</b>	<b>\$ 53,958</b>	<b>\$ 53,958</b>	<b>\$ 53,316</b>	<b>\$ 642</b>
<b>Culture and recreation</b>				
Auditorium	\$ 43,200	\$ 43,200	\$ 24,165	\$ 19,035
Historical society	13,000	13,000	13,000	-
Regional library	100,000	100,000	100,000	-
Senior citizens	6,000	6,000	1,000	5,000
Snowmobile and ski trails	70,793	70,793	82,674	(11,881)
Other culture and recreation	-	-	2,500	(2,500)
<b>Total culture and recreation</b>	<b>\$ 232,993</b>	<b>\$ 232,993</b>	<b>\$ 223,339</b>	<b>\$ 9,654</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Schedule 1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Conservation of natural resources</b>				
Agricultural society	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Agriculture inspection	40	40	50	(10)
Area Ag Information Center	5,000	5,000	5,000	-
Cooperative extension	168,012	168,012	143,716	24,296
Soil and water conservation	148,978	148,978	175,798	(26,820)
<b>Total conservation of natural resources</b>	<b>\$ 332,030</b>	<b>\$ 332,030</b>	<b>\$ 334,564</b>	<b>\$ (2,534)</b>
<b>Economic development</b>				
Economic development	\$ 5,000	\$ 5,000	\$ 5,050	\$ (50)
Red River Valley Development	800	800	800	-
Tri-Valley Opportunity Council	10,816	10,816	4,250	6,566
<b>Total economic development</b>	<b>\$ 16,616</b>	<b>\$ 16,616</b>	<b>\$ 10,100</b>	<b>\$ 6,516</b>
<b>Total Current Expenditures</b>	<b>\$ 6,069,113</b>	<b>\$ 6,133,709</b>	<b>\$ 6,195,311</b>	<b>\$ (61,602)</b>
<b>Capital outlay</b>				
General government	\$ 30,000	\$ 30,000	\$ 36,564	\$ (6,564)
Public safety	361,900	361,900	231,218	130,682
<b>Total capital outlay</b>	<b>\$ 391,900</b>	<b>\$ 391,900</b>	<b>\$ 267,782</b>	<b>\$ 124,118</b>
<b>Total Expenditures</b>	<b>\$ 6,461,013</b>	<b>\$ 6,525,609</b>	<b>\$ 6,463,093</b>	<b>\$ 62,516</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (469,473)</b>	<b>\$ (534,069)</b>	<b>\$ (98,693)</b>	<b>\$ 435,376</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	136,250	136,250
<b>Net Change in Fund Balance</b>	<b>\$ (469,473)</b>	<b>\$ (534,069)</b>	<b>\$ 37,557</b>	<b>\$ 571,626</b>
<b>Fund Balance - January 1</b>	<b>5,174,104</b>	<b>5,174,104</b>	<b>5,174,104</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,704,631</b>	<b>\$ 4,640,035</b>	<b>\$ 5,211,661</b>	<b>\$ 571,626</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,215,469	\$ 1,215,469	\$ 1,206,340	\$ (9,129)
Intergovernmental	2,235,686	2,235,686	4,053,638	1,817,952
Charges for services	73,000	73,000	83,315	10,315
Miscellaneous	71,000	71,000	173,431	102,431
<b>Total Revenues</b>	<b>\$ 3,595,155</b>	<b>\$ 3,595,155</b>	<b>\$ 5,516,724</b>	<b>\$ 1,921,569</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 285,905	\$ 285,905	\$ 314,382	\$ (28,477)
Maintenance	329,063	329,063	315,667	13,396
Construction	850,000	850,000	1,889,926	(1,039,926)
Equipment maintenance and shop	1,697,642	1,697,642	1,680,540	17,102
Township roads	-	-	180,880	(180,880)
Other highways and streets	98,000	98,000	78,348	19,652
<b>Total highways and streets</b>	<b>\$ 3,260,610</b>	<b>\$ 3,260,610</b>	<b>\$ 4,459,743</b>	<b>\$ (1,199,133)</b>
<b>Debt service</b>				
Principal retirement	\$ 88,000	\$ 88,000	\$ 88,000	\$ -
Interest	28,292	28,292	28,292	-
<b>Total debt service</b>	<b>\$ 116,292</b>	<b>\$ 116,292</b>	<b>\$ 116,292</b>	<b>\$ -</b>
<b>Capital outlay</b>				
Highways and streets	\$ 218,253	\$ 218,253	\$ 181,171	\$ 37,082
<b>Total Expenditures</b>	<b>\$ 3,595,155</b>	<b>\$ 3,595,155</b>	<b>\$ 4,757,206</b>	<b>\$ (1,162,051)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 759,518</b>	<b>\$ 759,518</b>
<b>Fund Balance - January 1</b>	<b>1,009,952</b>	<b>1,009,952</b>	<b>1,009,952</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(86,728)</b>	<b>(86,728)</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,009,952</b>	<b>\$ 1,009,952</b>	<b>\$ 1,682,742</b>	<b>\$ 672,790</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,199,402	\$ 2,199,402	\$ 2,154,063	\$ (45,339)
Intergovernmental	2,255,428	2,255,428	2,234,690	(20,738)
Charges for services	320,500	320,500	420,846	100,346
Miscellaneous	59,660	59,660	205,575	145,915
<b>Total Revenues</b>	<b>\$ 4,834,990</b>	<b>\$ 4,834,990</b>	<b>\$ 5,015,174</b>	<b>\$ 180,184</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,398,926	\$ 1,398,926	\$ 1,477,378	\$ (78,452)
Social services	3,479,277	3,479,277	3,275,449	203,828
<b>Total human services</b>	<b>\$ 4,878,203</b>	<b>\$ 4,878,203</b>	<b>\$ 4,752,827</b>	<b>\$ 125,376</b>
<b>Capital outlay</b>				
Human services	16,000	16,000	26,956	(10,956)
<b>Total Expenditures</b>	<b>\$ 4,894,203</b>	<b>\$ 4,894,203</b>	<b>\$ 4,779,783</b>	<b>\$ 114,420</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (59,213)</b>	<b>\$ (59,213)</b>	<b>\$ 235,391</b>	<b>\$ 294,604</b>
<b>Fund Balance - January 1</b>	<b>1,426,586</b>	<b>1,426,586</b>	<b>1,426,586</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,367,373</b>	<b>\$ 1,367,373</b>	<b>\$ 1,661,977</b>	<b>\$ 294,604</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ 300,871	\$ 300,871
Intergovernmental	-	-	68,378	68,378
Charges for services	152,000	152,000	5,326	(146,674)
Investment earnings	-	-	875	875
<b>Total Revenues</b>	<b>\$ 152,000</b>	<b>\$ 152,000</b>	<b>\$ 375,450</b>	<b>\$ 223,450</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Administration	\$ -	\$ -	\$ 12,193	\$ (12,193)
Ditch maintenance and repairs	152,000	152,000	102,514	49,486
Middle River/Snake River Watershed	-	-	158	(158)
Red Lake Watershed	-	-	1,461,467	(1,461,467)
<b>Total conservation of natural resources</b>	<b>\$ 152,000</b>	<b>\$ 152,000</b>	<b>\$ 1,576,332</b>	<b>\$ (1,424,332)</b>
<b>Debt service</b>				
Interest	-	-	21,863	(21,863)
<b>Total Expenditures</b>	<b>\$ 152,000</b>	<b>\$ 152,000</b>	<b>\$ 1,598,195</b>	<b>\$ (1,446,195)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,222,745)</b>	<b>\$ (1,222,745)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (10,840)	\$ (10,840)
Proceeds from issuance of bonds	-	-	1,042,928	1,042,928
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (190,657)</b>	<b>\$ (190,657)</b>
<b>Fund Balance - January 1</b>	<b>728,328</b>	<b>728,328</b>	<b>728,328</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 728,328</b>	<b>\$ 728,328</b>	<b>\$ 537,671</b>	<b>\$ (190,657)</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Miscellaneous	\$ -	\$ -	\$ 27,000	\$ 27,000
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Oakland park	-	-	5,350	(5,350)
<b>Capital outlay</b>				
General government	-	-	194,279	(194,279)
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 199,629</b>	<b>\$ (199,629)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (172,629)</b>	<b>\$ (172,629)</b>
<b>Fund Balance - January 1</b>	<b>2,138,496</b>	<b>2,138,496</b>	<b>2,138,496</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,138,496</b>	<b>\$ 2,138,496</b>	<b>\$ 1,965,867</b>	<b>\$ (172,629)</b>



**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**Schedule 6**

**SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFIT PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<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%
January 1, 2011	-	493,738	493,738	-	4,675,993	10.6%

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**Schedule 7**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
OTHER POST-EMPLOYMENT BENEFIT PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Employer Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
December 31, 2011	\$ 52,813	\$ 10,505	19.9%	\$ 195,941
December 31, 2012	52,015	19,301	37.1%	228,655
December 31, 2013	51,310	29,652	57.8%	250,313

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

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 (the level at which expenditures may not legally exceed appropriations) is the departmental level.

B. Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2013:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Commissioners	\$ 219,488	\$ 217,801	\$ (1,687)
County administration	1,445	1,000	(445)
County auditor	11,507	10,000	(1,507)
Data processing	194,361	130,002	(64,359)
Buildings and grounds	309,925	307,521	(2,404)
Veterans service officer	80,041	78,226	(1,815)
Insurance	35,199	35,000	(199)
Public safety			
Sheriff	870,377	858,369	(12,008)
Coroner	28,577	12,258	(16,319)
County jail	1,095,280	1,053,663	(41,617)
Enhanced 911	56,580	16,500	(40,080)
Jail canteen fund	52,323	42,500	(9,823)
Law enforcement center	604,027	561,776	(42,251)
Probation and parole	43,539	37,000	(6,539)
Sentence to service	204,461	186,256	(18,205)
Toward zero deaths	15,695	-	(15,695)
Training	6,560	6,000	(560)
Victim assistance	56,348	46,500	(9,848)
Health			
Parenting education	3,153	3,000	(153)
Culture and recreation			
Snowmobile and ski trails	82,674	70,793	(11,881)
Other culture and recreation	2,500	-	(2,500)
Conservation of natural resources			

**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>
Agriculture inspection	50	40	(10)
Soil and water conservation	175,798	148,978	(26,820)
Economic development			
Economic development	5,050	5,000	(50)
Capital outlay			
General government	36,564	30,000	(6,564)
Road and Bridge Special Revenue Fund			
Highways and streets			
Administration	314,382	285,905	(28,477)
Construction	1,889,926	850,000	(1,039,926)
Township roads	180,880	-	(180,880)
Human Services Special Revenue Fund			
Human services			
Income maintenance	1,477,378	1,398,926	(78,452)
Capital outlay			
Human services	26,956	16,000	(10,956)
Ditch Special Revenue Fund			
Conservation of natural resources			
Administration	12,193	-	(12,193)
Middle River/Snake River Watershed	158	-	(158)
Red Lake Watershed	1,461,467	-	(1,461,467)
Debt service			
Interest	21,863	-	(21,863)
Capital Improvement Special Revenue Fund			
General government			
Oakland Park	5,350	-	(5,350)
Capital outlay			
General government	194,279	-	(194,279)

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

The most recent actuarial valuation date is January 1, 2011. Since the last actuarial valuation as of January 1, 2008, the following actuarial assumptions have been changed:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- Claim costs were developed by age adjusting the premium information from Pennington County. As of January 1, 2011, premium information, actual claims and enrollment experience were used.

There have been no changes to the plan provisions since the actuarial valuation as of January 1, 2008. Currently, only two year's actuarial data is available. Future notes will provide additional trend analysis to meet the three actuarial valuations requirement as it becomes available. For more information, refer to Schedules 6 and 7 of this section and the Notes to the Financial Statements Section V., Other Post-Employment Benefits.

**SUPPLEMENTARY INFORMATION**

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds

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

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

Debt Service Funds

The Elevator and Long's Bridge Debt Service Fund is used to account for and report the financial resources restricted for the payment of capital improvements bonds, interest, and related costs. This fund was closed in 2013.

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

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

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

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Statement 1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<b>Special Revenue (Statement 3)</b>	<b>Debt Service (Statement 5)</b>	<b>Total Nonmajor Governmental Funds (Exhibit 3)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 708,822	\$ 367,702	\$ 1,076,524
Taxes receivable - prior	203	8,255	8,458
Accounts receivable	3,288	-	3,288
Advances to other funds	99,126	-	99,126
<b>Total Assets</b>	<b><u>\$ 811,439</u></b>	<b><u>\$ 375,957</u></b>	<b><u>\$ 1,187,396</u></b>
<b><u>Liabilities, Deferred Inflows and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 854	\$ -	\$ 854
Due to other funds	87,084	-	87,084
Due to other governments	231	-	231
<b>Total Liabilities</b>	<b><u>\$ 88,169</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 88,169</u></b>
<b>Deferred Inflows</b>			
Taxes	\$ 148	\$ 6,013	\$ 6,161
<b>Fund Balances</b>			
Nonspendable			
Advances to other funds	\$ 99,126	\$ -	\$ 99,126
Restricted for			
Debt service	-	369,944	369,944
Forfeited land	136,465	-	136,465
Assigned to sanitation	487,531	-	487,531
<b>Total Fund Balances</b>	<b><u>\$ 723,122</u></b>	<b><u>\$ 369,944</u></b>	<b><u>\$ 1,093,066</u></b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b><u>\$ 811,439</u></b>	<b><u>\$ 375,957</u></b>	<b><u>\$ 1,187,396</u></b>

**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, 2013**

	<b>Special Revenue (Statement 4)</b>	<b>Debt Service (Statement 6)</b>	<b>Total Nonmajor Governmental Funds (Exhibit 5)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Revenues</b>			
Taxes	\$ 41	\$ 244,171	\$ 244,212
Intergovernmental	55,950	7,218	63,168
Land and timber sales	225,104	-	225,104
Miscellaneous	15,688	-	15,688
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Revenues</b>	<b>\$ 296,783</b>	<b>\$ 251,389</b>	<b>\$ 548,172</b>
<b>Expenditures</b>			
<b>Current</b>			
Sanitation	\$ 74,889	\$ -	\$ 74,889
Conservation of natural resources	1,570	-	1,570
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Current</b>	<b>\$ 76,459</b>	<b>\$ -</b>	<b>\$ 76,459</b>
<b>Debt Service</b>			
Principal retirement	\$ -	\$ 240,000	\$ 240,000
Interest	-	35,661	35,661
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Debt Service</b>	<b>\$ -</b>	<b>\$ 275,661</b>	<b>\$ 275,661</b>
<b>Total Expenditures</b>	<b>\$ 76,459</b>	<b>\$ 275,661</b>	<b>\$ 352,120</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 220,324</b>	<b>\$ (24,272)</b>	<b>\$ 196,052</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 10,840	\$ -	\$ 10,840
Transfers out	(87,084)	(49,166)	(136,250)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (76,244)</b>	<b>\$ (49,166)</b>	<b>\$ (125,410)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 144,080</b>	<b>\$ (73,438)</b>	<b>\$ 70,642</b>
<b>Fund Balance - January 1</b>	<u>579,042</u>	<u>443,382</u>	<u>1,022,424</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 723,122</u></u>	<u><u>\$ 369,944</u></u>	<u><u>\$ 1,093,066</u></u>



**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**Statement 3**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2013**

	<b>Forfeited Tax Sale</b>	<b>Solid Waste</b>	<b>Total (Statement 1)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 223,549	\$ 485,273	\$ 708,822
Taxes receivable - prior	-	203	203
Accounts receivable	-	3,288	3,288
Advances to other funds	-	99,126	99,126
	<b>\$ 223,549</b>	<b>\$ 587,890</b>	<b>\$ 811,439</b>
<b><u>Liabilities, Deferred Inflows, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 854	\$ 854
Due to other funds	87,084	-	87,084
Due to other governments	-	231	231
	<b>\$ 87,084</b>	<b>\$ 1,085</b>	<b>\$ 88,169</b>
<b>Deferred Inflows</b>			
Taxes	\$ -	\$ 148	\$ 148
<b>Fund Balances</b>			
Nonspendable			
Advances to other funds	-	99,126	99,126
Restricted for forfeited land	136,465	-	136,465
Assigned to sanitation	-	487,531	487,531
	<b>\$ 136,465</b>	<b>\$ 586,657</b>	<b>\$ 723,122</b>
<b>Total Fund Balances</b>	<b>\$ 136,465</b>	<b>\$ 586,657</b>	<b>\$ 723,122</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 223,549</b>	<b>\$ 587,890</b>	<b>\$ 811,439</b>

**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, 2013**

	<b>Forfeited Tax Sale</b>	<b>Solid Waste</b>	<b>Total (Statement 2)</b>
<b>Revenues</b>			
Taxes	\$ -	\$ 41	\$ 41
Intergovernmental	-	55,950	55,950
Land and timber sales	225,104	-	225,104
Miscellaneous	15	15,673	15,688
	<b>\$ 225,119</b>	<b>\$ 71,664</b>	<b>\$ 296,783</b>
<b>Expenditures</b>			
<b>Current</b>			
Sanitation	\$ -	\$ 74,889	\$ 74,889
Conservation of natural resources	1,570	-	1,570
	<b>\$ 1,570</b>	<b>\$ 74,889</b>	<b>\$ 76,459</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 223,549</b>	<b>\$ (3,225)</b>	<b>\$ 220,324</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ 10,840	\$ 10,840
Transfers out	(87,084)	-	(87,084)
	<b>\$ (87,084)</b>	<b>\$ 10,840</b>	<b>\$ (76,244)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 136,465</b>	<b>\$ 7,615</b>	<b>\$ 144,080</b>
<b>Fund Balance - January 1</b>	<b>-</b>	<b>579,042</b>	<b>579,042</b>
<b>Fund Balance - December 31</b>	<b>\$ 136,465</b>	<b>\$ 586,657</b>	<b>\$ 723,122</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Statement 5*

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2013**

	<b>Highway Capital Improvement</b>	<b>Law Enforcement Radio</b>	<b>Minimum Security Facility</b>	<b>Total (Statement 1)</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 199,432	\$ 81,931	\$ 86,339	\$ 367,702
Taxes receivable - prior	4,573	1,604	2,078	8,255
<b>Total Assets</b>	<b>\$ 204,005</b>	<b>\$ 83,535</b>	<b>\$ 88,417</b>	<b>\$ 375,957</b>
 <b><u>Deferred Inflows and Fund Balances</u></b>				
<b>Deferred Inflows</b>				
Taxes	\$ 3,331	\$ 1,168	\$ 1,514	\$ 6,013
<b>Fund Balances</b>				
Restricted for debt service	200,674	82,367	86,903	369,944
<b>Total Deferred Inflows and Fund Balances</b>	<b>\$ 204,005</b>	<b>\$ 83,535</b>	<b>\$ 88,417</b>	<b>\$ 375,957</b>

**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, 2013**

	<b>Elevator and Long's Bridge</b>	<b>Highway Capital Improvement</b>	
<b>Revenues</b>			
Taxes	\$ -	\$ 145,818	
Intergovernmental	-	4,313	
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 150,131</b>	
<b>Expenditures</b>			
<b>Debt Service</b>			
Principal retirement	\$ -	\$ 115,000	
Interest	-	28,238	
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ 143,238</b>	
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 6,893</b>	
<b>Other Financing Sources (Uses)</b>			
Transfers out	\$ (49,166)	\$ -	
<b>Net Change in Fund Balance</b>	<b>\$ (49,166)</b>	<b>\$ 6,893</b>	
<b>Fund Balance - January 1</b>	<b>49,166</b>	<b>193,781</b>	
<b>Fund Balance - December 31</b>	<b>\$ -</b>	<b>\$ 200,674</b>	

**Statement 6**

<b>Law Enforcement Radio</b>	<b>Minimum Security Facility</b>	<b>Total (Statement 2)</b>
\$ 53,663	\$ 44,690	\$ 244,171
1,597	1,308	7,218
<b>\$ 55,260</b>	<b>\$ 45,998</b>	<b>\$ 251,389</b>
\$ 60,000	\$ 65,000	\$ 240,000
4,136	3,287	35,661
<b>\$ 64,136</b>	<b>\$ 68,287</b>	<b>\$ 275,661</b>
\$ (8,876)	\$ (22,289)	\$ (24,272)
-	-	\$ (49,166)
\$ (8,876)	\$ (22,289)	\$ (73,438)
<b>91,243</b>	<b>109,192</b>	<b>443,382</b>
<b>\$ 82,367</b>	<b>\$ 86,903</b>	<b>\$ 369,944</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Schedule 8*

**BUDGETARY COMPARISON SCHEDULE  
FORFEITED TAX SALE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Land and timber sales	\$ 10,000	\$ 10,000	\$ 225,104	\$ 215,104
Miscellaneous	-	-	15	15
<b>Total Revenues</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 225,119</b>	<b>\$ 215,119</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Forfeited land	10,000	10,000	1,570	8,430
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 223,549</b>	<b>\$ 223,549</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(87,084)	(87,084)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 136,465</b>	<b>\$ 136,465</b>
<b>Fund Balance - January 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 136,465</b>	<b>\$ 136,465</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

***Schedule 9***

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 41	\$ 41
Intergovernmental	55,000	55,000	55,950	950
Miscellaneous	10,000	10,000	15,673	5,673
<b>Total Revenues</b>	<b>\$ 65,000</b>	<b>\$ 65,000</b>	<b>\$ 71,664</b>	<b>\$ 6,664</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 8,400	\$ 8,400	\$ 21,313	\$ (12,913)
Recycling	55,000	55,000	53,576	1,424
<b>Total Expenditures</b>	<b>\$ 63,400</b>	<b>\$ 63,400</b>	<b>\$ 74,889</b>	<b>\$ (11,489)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,600</b>	<b>\$ 1,600</b>	<b>\$ (3,225)</b>	<b>\$ (4,825)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	10,840	10,840
<b>Net Change in Fund Balance</b>	<b>\$ 1,600</b>	<b>\$ 1,600</b>	<b>\$ 7,615</b>	<b>\$ 6,015</b>
<b>Fund Balance - January 1</b>	<b>579,042</b>	<b>579,042</b>	<b>579,042</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 580,642</b>	<b>\$ 580,642</b>	<b>\$ 586,657</b>	<b>\$ 6,015</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Schedule 10*

**BUDGETARY COMPARISON SCHEDULE  
HIGHWAY CAPITAL IMPROVEMENT DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 149,080	\$ 149,080	\$ 145,818	\$ (3,262)
Intergovernmental	1,700	1,700	4,313	2,613
<b>Total Revenues</b>	<b>\$ 150,780</b>	<b>\$ 150,780</b>	<b>\$ 150,131</b>	<b>\$ (649)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal retirement	\$ 115,000	\$ 115,000	\$ 115,000	\$ -
Interest	28,275	28,275	28,238	37
<b>Total Expenditures</b>	<b>\$ 143,275</b>	<b>\$ 143,275</b>	<b>\$ 143,238</b>	<b>\$ 37</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 7,505</b>	<b>\$ 7,505</b>	<b>\$ 6,893</b>	<b>\$ (612)</b>
<b>Fund Balance - January 1</b>	<b>193,781</b>	<b>193,781</b>	<b>193,781</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 201,286</b>	<b>\$ 201,286</b>	<b>\$ 200,674</b>	<b>\$ (612)</b>



**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Schedule 11*

**BUDGETARY COMPARISON SCHEDULE  
LAW ENFORCEMENT RADIO DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 55,970	\$ 55,970	\$ 53,663	\$ (2,307)
Intergovernmental	375	375	1,597	1,222
<b>Total Revenues</b>	<b>\$ 56,345</b>	<b>\$ 56,345</b>	<b>\$ 55,260</b>	<b>\$ (1,085)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal retirement	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Interest	4,155	4,155	4,136	19
<b>Total Expenditures</b>	<b>\$ 64,155</b>	<b>\$ 64,155</b>	<b>\$ 64,136</b>	<b>\$ 19</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (7,810)</b>	<b>\$ (7,810)</b>	<b>\$ (8,876)</b>	<b>\$ (1,066)</b>
<b>Fund Balance - January 1</b>	<b>91,243</b>	<b>91,243</b>	<b>91,243</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 83,433</b>	<b>\$ 83,433</b>	<b>\$ 82,367</b>	<b>\$ (1,066)</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Schedule 12*

**BUDGETARY COMPARISON SCHEDULE  
MINIMUM SECURITY FACILITY DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 46,400	\$ 46,400	\$ 44,690	\$ (1,710)
Intergovernmental	400	400	1,308	908
<b>Total Revenues</b>	<b>\$ 46,800</b>	<b>\$ 46,800</b>	<b>\$ 45,998</b>	<b>\$ (802)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal retirement	\$ 65,000	\$ 65,000	\$ 65,000	\$ -
Interest	3,325	3,325	3,287	38
<b>Total Expenditures</b>	<b>\$ 68,325</b>	<b>\$ 68,325</b>	<b>\$ 68,287</b>	<b>\$ 38</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (21,525)</b>	<b>\$ (21,525)</b>	<b>\$ (22,289)</b>	<b>\$ (764)</b>
<b>Fund Balance - January 1</b>	<b>109,192</b>	<b>109,192</b>	<b>109,192</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 87,667</b>	<b>\$ 87,667</b>	<b>\$ 86,903</b>	<b>\$ (764)</b>

**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 FIDUCIARY NET POSITION  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>GROUP INSURANCE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 24,455	\$ 1,574,803	\$ 1,581,976	\$ 17,282
<b><u>Liabilities</u></b>				
Accounts payable	\$ 24,455	\$ 1,574,803	\$ 1,581,976	\$ 17,282
 <b><u>INTER-COUNTY NURSING SERVICE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 257,774	\$ 962,192	\$ 988,122	\$ 231,844
<b><u>Liabilities</u></b>				
Due to other governments	\$ 257,774	\$ 962,192	\$ 988,122	\$ 231,844
 <b><u>NORTHWEST MINNESOTA HOUSING REDEVELOPMENT AUTHORITY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 39,512	\$ 39,512	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 39,512	\$ 39,512	\$ -
 <b><u>NORTHWEST REGIONAL DEVELOPMENT COMMISSION</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 25,277	\$ 25,277	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 25,277	\$ 25,277	\$ -

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Statement 7  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>PREPAID TAXES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 25,455	\$ 34,035	\$ 40,337	\$ 19,153
<b><u>Liabilities</u></b>				
Due to other funds	\$ 25,455	\$ 34,035	\$ 40,337	\$ 19,153
 <b><u>SCHOOL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 5,046,243	\$ 5,046,243	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 5,046,243	\$ 5,046,243	\$ -
 <b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 36,239	\$ 1,983,367	\$ 1,993,703	\$ 25,903
<b><u>Liabilities</u></b>				
Due to other governments	\$ 36,239	\$ 1,983,367	\$ 1,993,703	\$ 25,903
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 255,770	\$ 17,538,494	\$ 17,618,765	\$ 175,499
Due from other funds	25,455	19,153	25,455	19,153
<b>Total Assets</b>	<b>\$ 281,225</b>	<b>\$ 17,557,647</b>	<b>\$ 17,644,220</b>	<b>\$ 194,652</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 281,225	\$ 17,557,647	\$ 17,644,220	\$ 194,652

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Statement 7  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 2,802,639	\$ 2,802,627	\$ 12
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 2,802,639	\$ 2,802,627	\$ 12
 <b><u>WATERSHEDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 529,108	\$ 529,108	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 529,108	\$ 529,108	\$ -
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 599,693	\$ 30,535,670	\$ 30,665,670	\$ 469,693
Due from other funds	25,455	19,153	25,455	19,153
<b>Total Assets</b>	<b>\$ 625,148</b>	<b>\$ 30,554,823</b>	<b>\$ 30,691,125</b>	<b>\$ 488,846</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 24,455	\$ 1,574,803	\$ 1,581,976	\$ 17,282
Due to other funds	25,455	34,035	40,337	19,153
Due to other governments	575,238	28,945,985	29,068,812	452,411
<b>Total Liabilities</b>	<b>\$ 625,148</b>	<b>\$ 30,554,823</b>	<b>\$ 30,691,125</b>	<b>\$ 488,846</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

Schedule 13

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2013**

	Assets					Total Assets
	Cash and Pooled Investments	Special Assessments Receivable Prior	Due from Other Governments	Due from Other Ditches	Special Assessments Receivable Noncurrent	
<b>County Ditches</b>						
1 - Rocksbury/North	\$ 1,402	\$ 44	\$ -	\$ -	\$ -	\$ 1,446
1 - Rocksbury/Sanders	9,236	-	-	-	-	9,236
16	8,795	24	-	-	-	8,819
21	4,598	15	-	-	-	4,613
22	-	-	-	-	-	-
32	14,114	33	-	-	-	14,147
33	777	5	-	-	-	782
35	11,968	22	-	-	-	11,990
36	34,718	61	-	-	-	34,779
37	1,255	243	-	-	-	1,498
38	2,113	564	-	-	-	2,677
39	45,403	196	-	-	-	45,599
41	(6,439)	745	-	-	-	(5,694)
42	1,483	84	-	-	-	1,567
43	1,774	216	-	-	-	1,990
44	29,745	91	-	-	-	29,836
45	9,173	55	-	-	-	9,228
46	7,326	-	-	-	-	7,326
47	1,313	5	-	-	-	1,318
53	1,336	19	-	-	-	1,355
55	2,094	19	-	-	-	2,113
57	1,785	60	-	-	-	1,845
58	14,234	68	-	-	-	14,302
59	1,317	86	-	-	-	1,403
62	7,880	379	-	-	-	8,259
70	62,497	116	-	-	-	62,613
71	6,933	-	-	-	-	6,933
73	1,307	-	-	-	-	1,307
74	1,905	-	-	-	-	1,905
75	16,623	310	-	-	-	16,933
77	18,590	-	-	-	-	18,590
96	11,196	472	-	54,000	-	65,668
109-2	260	3	-	-	21,079	21,342
<b>Joint County Ditches</b>						
1	14,325	138	-	-	-	14,463
11	9,655	82	-	-	-	9,737
13	60,723	1,009	931	-	-	62,663
15	15,757	682	-	-	-	16,439
18	27,948	236	344	-	-	28,528
25 - Branch 3	11,923	86	-	120,000	-	132,009
30	59,524	235	70	-	-	59,829
30 - Branch A	2,335	-	-	-	-	2,335
31	10,134	-	19	-	-	10,153
60	501	7	-	-	-	508
13 Red Lk/Penn	6,859	-	-	-	-	6,859
<b>Watershed Ditches</b>						
JD 14	-	-	-	-	-	-
109 - Red Lk Watershed	-	-	-	-	-	-
122 - Challenger Project	125	167	-	-	-	292
Red Lake Watershed 13	2,251	1,653	-	-	75,544	79,448
Red Lake Watershed 14	45,201	463	-	-	539,546	585,210
RLWD - Water Mngmt District 1	44,873	1,653	-	-	445,619	492,145
<b>Total</b>	<b>\$ 638,845</b>	<b>\$ 10,346</b>	<b>\$ 1,364</b>	<b>\$ 174,000</b>	<b>\$ 1,081,788</b>	<b>\$ 1,906,343</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

*Schedule 13*

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2013**

	Liabilities						Deferred Inflows	Fund Balances	Total
	Accounts Payable	Due to Other Funds	Due to Other Governments	Advances from Other Funds	Due to Other Ditches	Total Liabilities		Restricted for Conservation of Natural Resources	Liabilities, Deferred Inflows and Fund Balances
<b>County Ditches</b>									
1 - Rocksbury/North	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32	\$ 1,414	\$ 1,446
1 - Rocksbury/Sanders	-	-	-	-	-	-	-	9,236	9,236
16	-	-	-	-	-	-	17	8,802	8,819
21	-	-	-	-	-	-	11	4,602	4,613
22	-	-	-	228	-	228	-	(228)	-
32	-	-	-	-	-	-	24	14,123	14,147
33	-	-	-	-	4,000	4,000	4	(3,222)	782
35	-	-	-	-	-	-	16	11,974	11,990
36	1,540	-	-	-	-	1,540	44	33,195	34,779
37	-	398	-	-	38,000	38,398	177	(37,077)	1,498
38	-	-	-	-	25,000	25,000	411	(22,734)	2,677
39	-	88	-	-	50,088	50,088	143	(4,632)	45,599
41	-	-	-	-	3,000	3,000	543	(9,237)	(5,694)
42	-	-	-	-	22,000	22,000	61	(20,494)	1,567
43	-	-	-	-	12,000	12,000	157	(10,167)	1,990
44	-	-	-	-	-	-	66	29,770	29,836
45	-	-	-	-	-	-	40	9,188	9,228
46	-	-	-	-	-	-	-	7,326	7,326
47	-	660	-	-	5,000	5,660	4	(4,346)	1,318
53	-	-	-	-	4,000	4,000	14	(2,659)	1,355
55	-	-	-	-	8,000	8,000	14	(5,901)	2,113
57	-	-	-	-	3,000	3,000	44	(1,199)	1,845
58	-	-	-	-	-	-	49	14,253	14,302
59	-	-	-	-	-	-	63	1,340	1,403
62	-	(520)	-	-	-	(520)	276	8,503	8,259
70	-	-	-	-	-	-	84	62,529	62,613
71	-	-	-	-	-	-	-	6,933	6,933
73	-	-	-	-	-	-	-	1,307	1,307
74	-	-	-	-	-	-	-	1,905	1,905
75	-	100	-	-	-	100	226	16,607	16,933
77	-	-	-	-	-	-	-	18,590	18,590
96	1,540	354	-	-	-	1,894	344	63,430	65,668
109-2	-	-	-	20,281	-	20,281	21,081	(20,020)	21,342
<b>Joint County Ditches</b>									
1	-	-	462	-	-	462	101	13,900	14,463
11	-	-	247	-	-	247	60	9,430	9,737
13	-	-	86	-	-	86	735	61,842	62,663
15	-	-	325	-	-	325	497	15,617	16,439
18	-	-	-	-	-	-	172	28,356	28,528
25 - Branch 3	-	695	-	-	-	695	62	131,252	132,009
30	-	-	-	-	-	-	171	59,658	59,829
30 - Branch A	-	-	-	-	-	-	-	2,335	2,335
31	-	-	129	-	-	129	-	10,024	10,153
60	-	-	118	-	-	118	5	385	508
31 Red Lk/Penn	-	-	-	-	-	-	-	6,859	6,859
<b>Watershed Ditches</b>									
JD 14	-	-	-	-	-	-	-	-	-
109 - Red Lk Watershed	-	-	-	-	-	-	-	-	-
122 - Challenger Project	-	-	-	-	-	-	122	170	292
Red Lake Watershed 13	-	-	-	78,617	-	78,617	76,748	(75,917)	79,448
Red Lake Watershed 14	-	-	-	-	-	-	539,883	45,327	585,210
RLWD - Water Mngmt District 1	-	-	-	-	-	-	446,823	45,322	492,145
<b>Total</b>	<b>\$ 3,080</b>	<b>\$ 1,775</b>	<b>\$ 1,367</b>	<b>\$ 99,126</b>	<b>\$ 174,000</b>	<b>\$ 279,348</b>	<b>\$ 1,089,324</b>	<b>\$ 537,671</b>	<b>\$ 1,906,343</b>



**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**Schedule 14**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Shared Revenue**

**State**

County program aid	\$	614,925
Disparity reduction aid		94,082
Enhanced 911		86,263
Highway users tax		2,924,434
Market value credit		86,717
PERA rate reimbursement		16,384
Police state aid		50,669
		50,669

**Total Shared Revenue** **\$ 3,873,474**

**Payments**

Payments in lieu of taxes	\$	37,393
Red Lake County		905,367
		905,367

**Total Payments** **\$ 942,760**

**Grants**

**State**

**Minnesota Department/Board of**

Corrections	\$	41,501
Human Services		747,686
Natural Resources		87,650
Peace Officers Standards and Training		3,418
Pollution Control		55,950
Public Safety		37,566
Transportation		57,282
Water and Soil Resources		99,093
		99,093

**Total State** **\$ 1,130,146**

**Federal**

**Department of**

Agriculture	\$	101,549
Interior		1,731
Transportation		17,878
Health and Human Services		1,237,902
Homeland Security		87,928
		87,928

**Total Federal** **\$ 1,446,988**

**Total Grants** **\$ 2,577,134**

**Total Intergovernmental Revenue** **\$ 7,393,368**

**MANAGEMENT AND COMPLIANCE SECTION**

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**Schedule 15**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

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

- A. Our report expresses an unmodified 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 "Independent Auditor's 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 program was reported in the "Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Pennington County expresses an unmodified 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 program was:
  - 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 15  
(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 to maintain suitable skills, knowledge, and expertise to sufficiently review, understand, and approve the County's financial statements, including notes.

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**Schedule 15  
(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

Fourteen of the 50 active individual ditch systems had deficit fund balances at December 31, 2013, totaling \$217,833, the largest being \$75,917. 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.*



**GOVERNMENTAL AUDIT SERVICES**

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**INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pennington County as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 5, 2014.

**Internal Control Over Financial Reporting**

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 96-1 and 07-1, that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as a management practices comment, item 96-7.

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

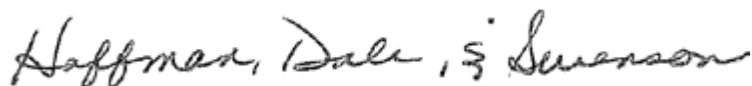
In connection with our audit, nothing came to our attention that caused us to believe that the County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.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

### **County's Responses to Findings**

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

### **Purpose of this Report**

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



Hoffman, Dale, & Swenson, PLLC

September 5, 2014



**GOVERNMENTAL AUDIT SERVICES**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of County Commissioners  
Pennington County

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

We have audited Pennington County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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



## **Opinion on the Major Federal Programs**

In our opinion, Pennington County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

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

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

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated September 5, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic

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

*Hoffman, Dale, & Swenson*

Hoffman, Dale, & Swenson, PLLC

September 5, 2014

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**Schedule 16**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Federal Grantor Pass Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<b>\$ 101,549</b>
<b>U.S. Department of the Interior</b>		
Passed Through Minnesota Department of Natural Resources Wildlife Restoration and Basic Hunter Education	15.611	<b>\$ 1,731</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	<b>\$ 17,878</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Northwest Regional Development Commission/Northwest Area Agency on Aging Special Programs for the Aging - Title III B	93.044	\$ 11,098
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	1,254
Temporary Assistance for Needy Families Cluster Temporary Assistance for Needy Families	93.558	118,875
Child Support Enforcement	93.563	377,979
Refugee and Entrant Assistance	93.566	258
Child Care and Development Block Grant	93.575	3,122
Stephanie Tubbs Jones Child Welfare Services Program	93.645	950
Foster Care Title IV-E	93.658	56,357
Social Services Block Grant	93.667	114,091
Chafee Foster Care Independence Program	93.674	242
Children's Health Insurance Program	93.767	47
Medical Assistance Program	93.778	553,629
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 1,237,902</b>
<b>U.S. Department of Homeland Security</b>		
Disaster Grants - Public Assistance	97.036	\$ 68,378
Passed Through Headwaters Regional Development Commission Homeland Security Grant Program	97.067	19,550
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 87,928</b>
<b>Total Federal Awards</b>		<b>\$ 1,446,988</b>

**PENNINGTON COUNTY  
THIEF RIVER FALLS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**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, 2013. 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 position, 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 2013, 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 2013, the County had no funds designated as ARRA funds