

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CHISAGO COUNTY
CENTER CITY, MINNESOTA

YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Year Ended December 31, 2009



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

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE OF CONTENTS

| | Reference | Page |
|--|------------|------|
| Introductory Section | | |
| Organization | | 1 |
| Financial Section | | |
| Independent Auditor's Report | | 2 |
| Management's Discussion and Analysis | | 4 |
| Basic Financial Statements | | |
| Government-Wide Financial Statements | | |
| Statement of Net Assets | Exhibit 1 | 14 |
| Statement of Activities | Exhibit 2 | 15 |
| Fund Financial Statements | | |
| Governmental Funds | | |
| Balance Sheet | Exhibit 3 | 17 |
| Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities | Exhibit 4 | 21 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | Exhibit 5 | 22 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities | Exhibit 6 | 26 |
| Budgetary Comparison | | |
| General Fund | Exhibit 7 | 27 |
| Road and Bridge Special Revenue Fund | Exhibit 8 | 30 |
| Human Services Special Revenue Fund | Exhibit 9 | 31 |
| Fiduciary Funds | | |
| Statement of Fiduciary Net Assets | Exhibit 10 | 32 |
| Notes to the Financial Statements | | 33 |
| Required Supplementary Information | | |
| Schedule of Funding Progress - Other Postemployment Benefits | Schedule 1 | 85 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE OF CONTENTS

| | Reference | Page |
|---|-------------|------|
| Financial Section (Continued) | | |
| Combining and Individual Fund Statements and Schedules | | |
| Nonmajor Governmental Funds | | |
| Combining Balance Sheet | Statement 1 | 86 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance | Statement 2 | 87 |
| Budgetary Comparison Schedules | | 89 |
| County Building Special Revenue Fund | Schedule 2 | 91 |
| Parks Special Revenue Fund | Schedule 3 | 92 |
| Ditch Special Revenue Fund | Schedule 4 | 93 |
| Lake Improvement District Special Revenue Fund | Schedule 5 | 94 |
| Solid Waste Special Revenue Fund | Schedule 6 | 95 |
| Capital Equipment Special Revenue Fund | Schedule 7 | 96 |
| Agency Funds | | 97 |
| Combining Statement of Changes in Assets and Liabilities - All Agency Funds | Statement 3 | 98 |
| Supporting Schedules | | |
| Tax Capacity, Tax Rates, Levies, and Percentage of Collections | Schedule 8 | 102 |
| Balance Sheet - By Ditch - Ditch Special Revenue Fund | Schedule 9 | 104 |
| Schedule of Intergovernmental Revenue | Schedule 10 | 106 |
| Management and Compliance Section | | |
| Schedule of Findings and Questioned Costs | Schedule 11 | 108 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 114 |
| Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | | 117 |
| Schedule of Expenditures of Federal Awards | Schedule 12 | 120 |
| Notes to the Schedule of Expenditures of Federal Awards | | 122 |

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**ORGANIZATION
2009**

| Office | Name | Term of Office | |
|---|--------------------------|----------------|---------------|
| | | From | To |
| Commissioners | | | |
| 1st District | Lora Walker | January 2009 | January 2013 |
| 2nd District | Rick Greene ² | January 2007 | January 2011 |
| 3rd District | George McMahan | January 2009 | January 2013 |
| 4th District | Ben Montzka ¹ | January 2007 | January 2011 |
| 5th District | Mike Robinson | January 2009 | January 2013 |
| Officers | | | |
| Elected | | | |
| Attorney | Janet Reiter | January 2007 | January 2011 |
| Auditor | Dennis Freed | January 2007 | January 2011 |
| Sheriff | Todd Rivard | January 2007 | January 2011 |
| Treasurer | Lee Olson | January 2007 | January 2011 |
| Appointed | | | |
| Administrator | John Moosey | | Indefinite |
| Assessor | John Keefe | January 2005 | December 2009 |
| Medical Examiner Health and Human Services | Lindsey C. Thomas | January 2008 | December 2010 |
| Director | Mary Sheehan | | Indefinite |
| Highway Engineer | Joe Triplett | May 2009 | April 2013 |
| Probation Director | Steven Paquay | | Indefinite |
| Recorder/Registrar of Titles | Lee Olson | | Indefinite |
| Surveyor | Terry Johnson | January 2008 | December 2011 |
| Veterans Service Officer | James Halstrom | November 2006 | November 2010 |
| Zoning Administrator | Mary Schmitz | | Indefinite |
| Appointed by the State | | | |
| Court Administrator | Kathleen Karnowski | | Indefinite |

¹Chair 2009

²Chair 2010

This page was left blank intentionally.

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Chisago County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chisago County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority (HRA-EDA), the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chisago County HRA-EDA, is based solely on the report of the other auditors.

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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the

aggregate remaining fund information of Chisago County as of December 31, 2009, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2010, on our consideration of Chisago County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the Chisago County HRA-EDA, which was audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 24, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(Unaudited)**

As management of Chisago County, we offer readers of the Chisago County financial statements this narrative overview and analysis of the financial activities of Chisago County for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

The assets of Chisago County exceeded its liabilities by approximately \$116.8 million at the close of 2009. Of this amount, \$17,450,140, or 14.9 percent, (unrestricted net assets) may be used to meet Chisago County's ongoing obligations to citizens and creditors.

Chisago County's total net assets increased by \$13,485,850. This is attributable primarily to road construction projects being capitalized, increased highway revenue, and an increase in unrestricted net assets due to general expense and revenue favorability.

At the close of 2009, Chisago County's governmental funds reported combined ending fund balances of \$31,579,931, an increase of \$5,615,563 from the previous year-end balance. At the end of the year, Chisago County's unreserved fund balance totaled \$24,005,334, which is available for spending at the County Board's discretion.

At the close of 2009, unreserved fund balance for the General Fund was \$9,016,452, or 41.1 percent, of total General Fund expenditures. The unreserved fund balance for the Human Services Special Revenue Fund was \$7,721,535, or 62.7 percent, of Human Services expenditures.

Chisago County's bonds and notes payable decreased by \$1,630,000, or four percent, during 2009. The key factor in the decrease was the scheduled retirement of various general obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

information, which includes the Management's Discussion and Analysis (MD&A) and certain information on other postemployment benefits (OPEB), and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

Fund Level Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Chisago 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 Chisago 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 governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Chisago County reports six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Debt Service Fund, County Capital Projects Fund, and Jail Capital Projects Fund, all of which are considered to be major funds. The other governmental funds are aggregated into a single aggregated presentation.

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. Chisago County’s fiduciary funds consist of eight 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.

Notes to the financial statements. The notes to the financial statements provide additional information essential to a full understanding of the data provided.

Other information. In addition to the basic financial statements and notes, Chisago County also provides required supplementary information on the funding status of its other postemployment benefits; combining and individual fund statements and schedules for its nonmajor governmental funds; and support for its taxes, individual ditch balances, and intergovernmental revenues.

Chisago County adopts annual budgets for its major funds, except for the Debt Service Fund and the capital projects funds. Budgetary comparison schedules have been provided for the County’s budgeted major funds to demonstrate compliance with these budgets.

Government-Wide Financial Analysis

Over time, net assets serve as a useful indicator of the County’s financial position. Chisago County’s assets exceeded liabilities by \$116,786,668 at the close of 2009. The largest portion of Chisago County’s net assets (79 percent) reflects its investment in capital assets (such as land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets still outstanding. However, it should be noted that these assets are not available for future spending.

Governmental Net Assets

| | <u>2009</u> | <u>2008</u> |
|--------------------------|-----------------------|-----------------------|
| Current and other assets | \$ 37,513,447 | \$ 33,581,153 |
| Capital assets | <u>130,597,154</u> | <u>123,445,027</u> |
| Total Assets | <u>\$ 168,110,601</u> | <u>\$ 157,026,180</u> |

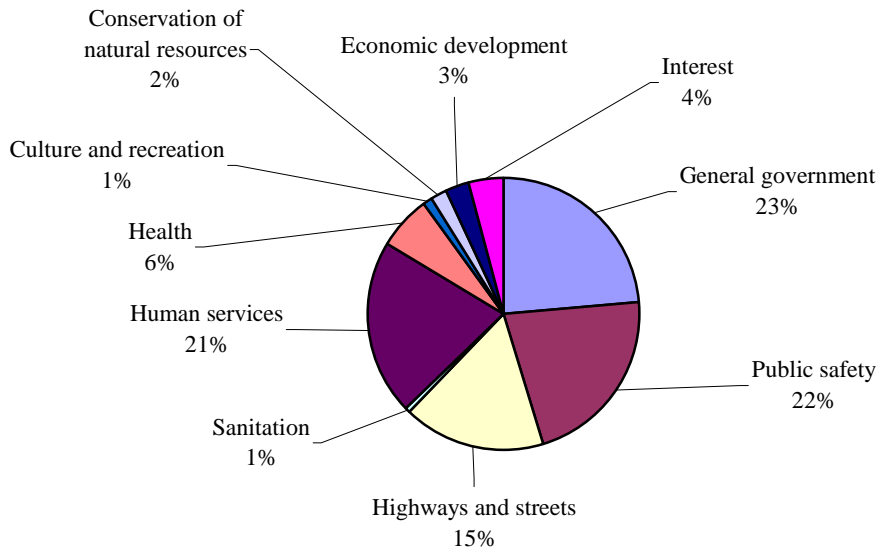
| | <u>2009</u> | <u>2008</u> |
|---|------------------------------|------------------------------|
| Long-term liabilities outstanding | \$ 48,915,187 | \$ 50,221,047 |
| Other liabilities | <u>2,408,746</u> | <u>3,504,315</u> |
| Total Liabilities | <u>\$ 51,323,933</u> | <u>\$ 53,725,362</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | \$ 91,763,731 | \$ 83,046,458 |
| Restricted | 7,572,797 | 5,433,371 |
| Unrestricted | <u>17,450,140</u> | <u>14,820,989</u> |
| Total Net Assets | <u>\$ 116,786,668</u> | <u>\$ 103,300,818</u> |

The restricted net asset amount of \$7,572,797 represents resources whose use is restricted by external requirements such as debt covenants and legislation. The unrestricted net asset amount of \$17,450,140 may be used to meet the County's ongoing obligations to citizens and creditors. Chisago County's activities increased net assets by \$13,485,850, or 13.1 percent, over the 2008 net assets. The key elements of the increase were an increase in highway grant revenue and property taxes, lower expenses due to highway projects being capitalized, and a decrease in public safety expenses specific to the jail project.

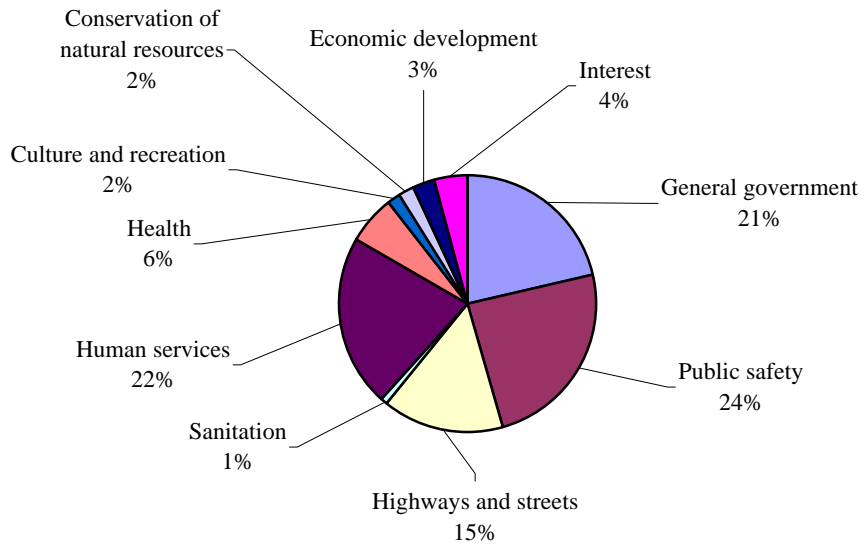
Changes in Net Assets

| | <u>2009</u> | <u>2008</u> |
|------------------------------------|------------------------------|------------------------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 5,395,967 | \$ 5,274,117 |
| Operating grants and contributions | 16,787,898 | 11,524,909 |
| Capital grants and contributions | 2,538,498 | 4,693,823 |
| General revenues | | |
| Property taxes | 30,504,263 | 29,028,664 |
| Other | <u>4,617,172</u> | <u>4,819,087</u> |
| Total Revenues | <u>\$ 59,843,798</u> | <u>\$ 55,340,600</u> |
| Expenses | | |
| General government | \$ 10,911,564 | \$ 10,185,364 |
| Public safety | 10,097,062 | 11,592,485 |
| Highways and streets | 7,779,210 | 7,387,306 |
| Sanitation | 334,342 | 447,775 |
| Human services | 9,680,067 | 10,384,380 |
| Health | 2,885,232 | 2,914,001 |
| Culture and recreation | 591,247 | 722,872 |
| Conservation of natural resources | 835,981 | 935,904 |
| Economic development | 1,355,708 | 1,358,859 |
| Interest | <u>1,887,535</u> | <u>1,996,537</u> |
| Total Expenses | <u>\$ 46,357,948</u> | <u>\$ 47,925,483</u> |
| Increase in Net Assets | \$ 13,485,850 | \$ 7,415,117 |
| Net Assets, January 1 | <u>103,300,818</u> | <u>95,885,701</u> |
| Net Assets, December 31 | <u>\$ 116,786,668</u> | <u>\$ 103,300,818</u> |

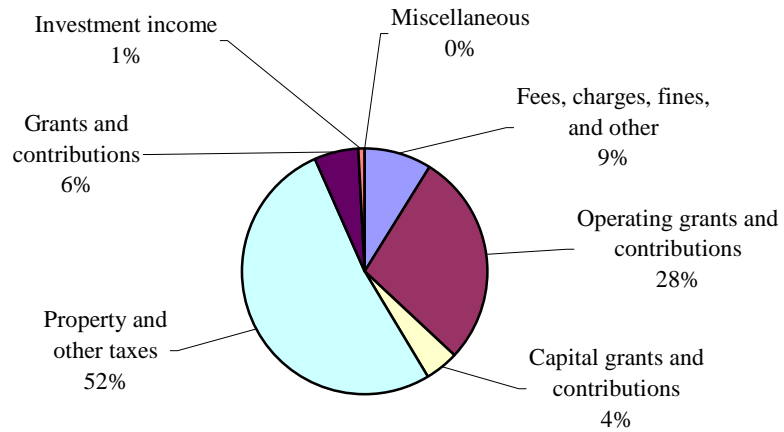
Expenses by Function - 2009



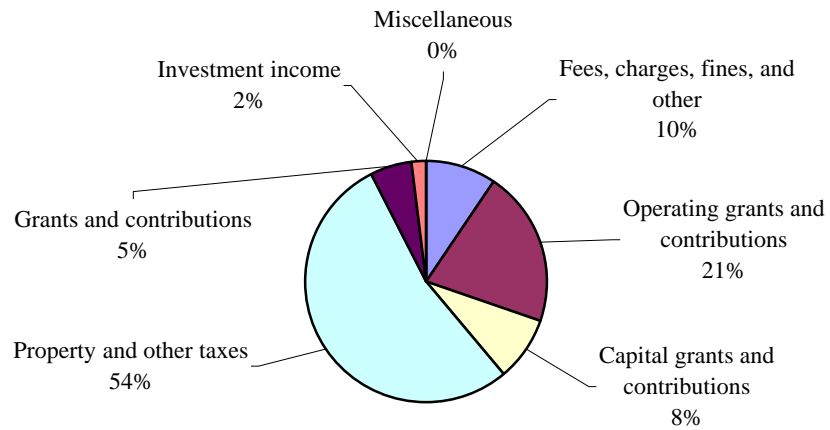
Expenses by Function - 2008

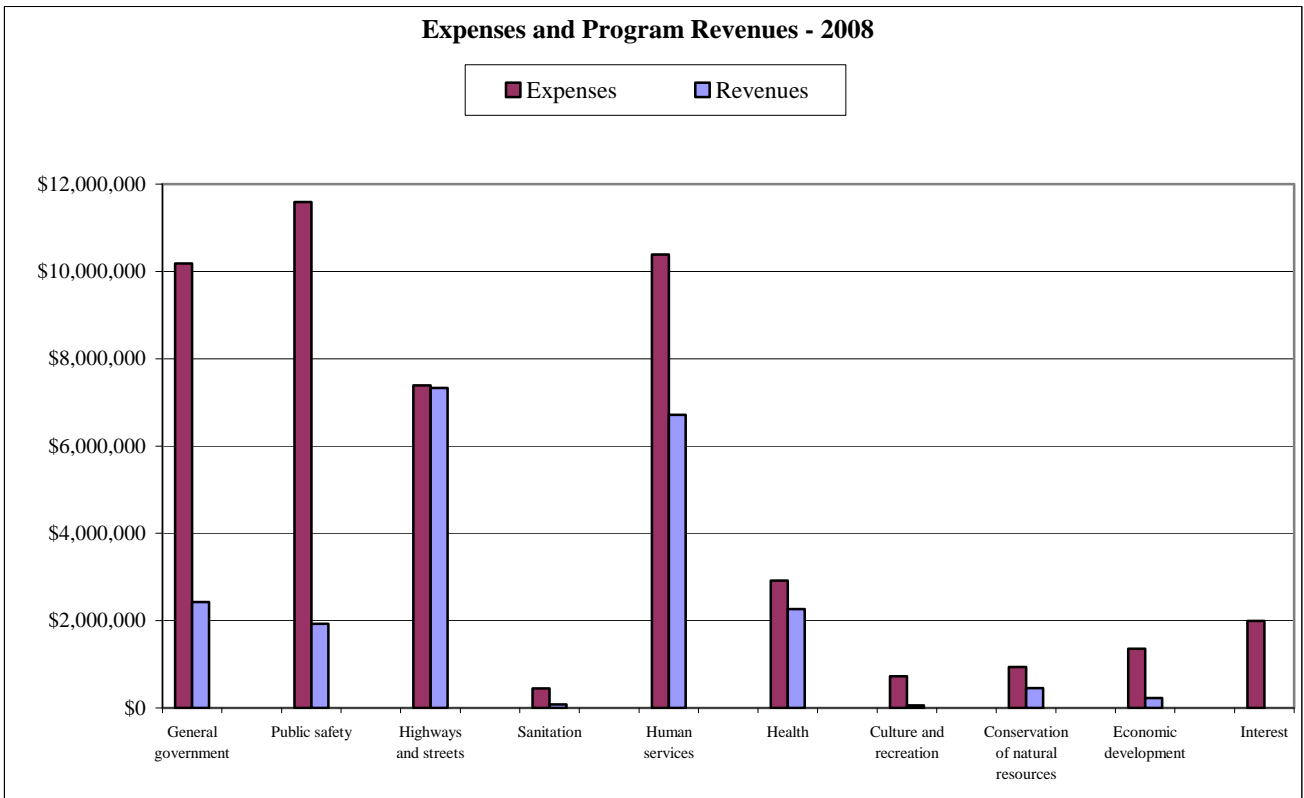
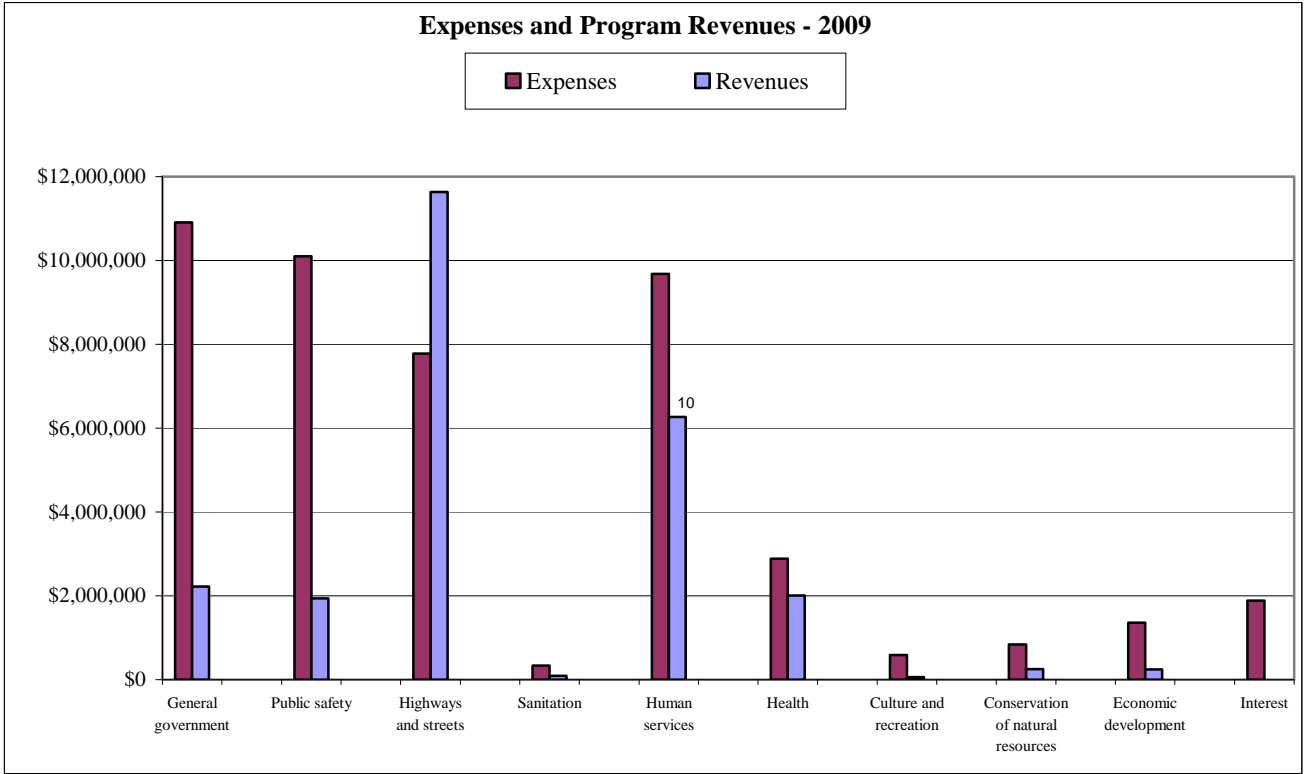


Revenues by Source - 2009



Revenues by Source - 2008





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.

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$31,579,931. This is an increase of \$5,615,563 (21.6 percent) in comparison with the prior year. Unreserved fund balance of \$24,005,334 is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Chisago County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$9,016,452. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 41.1 percent of total General Fund expenditures. In 2009, the ending fund balance in the General Fund increased by \$1,517,044 (15.2 percent). The primary driver for this was the transfer in of the unused capital equipment budget, which was cut due to budgetary concerns.

The Human Services Special Revenue Fund's unreserved fund balance of \$7,721,535 at year-end represents 62.7 percent of Human Services expenditures. In 2009, the total fund balance increased \$2,088,766 (36.7 percent) from the prior year due to revenues exceeding expenditures in 2009, as expenditures were delayed or not incurred.

General Fund Budgetary Highlights

Differences between the General Fund's original budget and the final amended budget totaled to a \$2,664,881 net increase in expenditures. These differences are largely due to carryover of 2008 unexpended budgeted amounts and a small net change in the 2009 budget. Actual revenues were more than final budgeted revenues by \$215,252 due to reimbursements and grants offset by lower taxes, licenses and permits, and investment income. Actual expenditures were less than final budgeted expenditures by \$3,062,867, due to unexpended carryovers from the prior year (Recorder's and Sheriff's Departments), expenditure favorability in public safety, and other general government expenditure favorabilities due to cost-saving initiatives and not filling open positions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2009, totaled \$130,597,154 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$7,152,127, or 5.8 percent, from the previous year. The major events affecting this increase were the capitalization of construction in progress in the amount of \$8,441,544 for County road construction costs.

| | Capital Assets (Net of Depreciation) | |
|-------------------------------------|---|-----------------------|
| | 2009 | 2008 |
| Land | \$ 2,613,277 | \$ 2,613,277 |
| Construction in progress | 20,236,952 | 11,795,408 |
| Buildings | 15,550,679 | 15,889,989 |
| Machinery, furniture, and equipment | 5,224,226 | 5,496,424 |
| Infrastructure | 86,972,020 | 87,649,929 |
| Total | <u>\$ 130,597,154</u> | <u>\$ 123,445,027</u> |

Long-Term Debt

At the end of the current fiscal year, the County had total bonds and notes outstanding of \$38,750,000, which was backed by the full faith and credit of the government.

| | Outstanding Debt | |
|----------------------------------|----------------------|----------------------|
| | 2009 | 2008 |
| General obligation bonds | \$ 37,680,000 | \$ 39,155,000 |
| General obligation capital notes | 1,070,000 | 1,225,000 |
| Total Long-Term Debt | <u>\$ 38,750,000</u> | <u>\$ 40,380,000</u> |

The County's debt related to general obligation bonds and notes decreased by \$1,630,000 (four percent) during the fiscal year. The decrease was due to the retirement of various general obligation bonds and one capital note.

The major debt-related transactions during the year include the following: The County issued \$3,315,000 General Obligation Capital Improvement Refunding Bonds, Series 2009A, to refund both the 2001 and 2002A General Obligation Capital Improvement Bonds. The 2001 bonds were retired in 2009, and the 2002A bonds will be retired in 2010 using the cash escrow remaining from the 2009A bond issuance.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2009, Chisago County was well below the three-percent debt limit imposed by state statutes.

Other long-term obligations include compensated absences and an unfunded OPEB liability. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Per the Bureau of Labor Statistics, Chisago County's average unemployment rate was 10.1 percent for 2009; the statewide average rate was 8.0 percent, and the national average rate was 9.3 percent.
- The economic climate continues to have an effect on the residential growth in the County. Housing prices have been negatively impacted, and foreclosures continue to be an issue for 2009.
- At the end of 2009, Chisago County approved its 2010 revenue and expenditure budgets. 2010 property tax levies reflected no change over 2009 due to the economic situation and its impact on taxpayers.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Chisago County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chisago County Auditor, Chisago County Courthouse, 313 North Main, Center City, Minnesota 55012.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 1

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

| | <u>Primary Government Governmental Activities</u> | <u>HRA-EDA Discretely Presented Component Unit</u> |
|--|---|--|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 29,244,447 | \$ 1,631,346 |
| Receivables - net | 7,239,484 | 14,191 |
| Inventories | 696,045 | - |
| Prepaid items | 103,146 | 11,249 |
| Advances to other agencies | 59,949 | - |
| Deferred charges | 170,376 | 114,392 |
| Land held for resale | - | 3,151,411 |
| Capital lease receivable | - | 5,423,724 |
| Capital assets | | |
| Non-depreciable capital assets | 22,850,229 | 243,181 |
| Depreciable capital assets - net of accumulated depreciation | 107,746,925 | 5,510,858 |
| Total Assets | \$ 168,110,601 | \$ 16,100,352 |
| <u>Liabilities</u> | | |
| Accounts payable and other current liabilities | \$ 1,432,746 | \$ 17,224 |
| Accrued interest payable | 677,940 | 121,978 |
| Due to other governments | 191,241 | 2,134 |
| Security deposits | - | 51,187 |
| Unearned revenue | 106,819 | - |
| Long-term liabilities | | |
| Due within one year | 10,041,616 | 280,204 |
| Due in more than one year | 38,873,571 | 12,244,810 |
| Total Liabilities | \$ 51,323,933 | \$ 12,717,537 |
| <u>Net Assets</u> | | |
| Invested in capital assets - net of related debt | \$ 91,763,731 | \$ 1,150,200 |
| Restricted for | | |
| General government | 2,466,847 | - |
| Highways and streets | 1,046,001 | - |
| Human services | 59,949 | - |
| Debt service | 4,000,000 | - |
| Unrestricted | 17,450,140 | 2,232,615 |
| Total Net Assets | \$ 116,786,668 | \$ 3,382,815 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

| | Expenses | Fees, Charges, Fines, and Other |
|---|----------------------|--|
| <u>Functions/Programs</u> | | |
| Primary government | | |
| Governmental activities | | |
| General government | \$ 10,911,564 | \$ 2,091,635 |
| Public safety | 10,097,062 | 1,104,768 |
| Highways and streets | 7,779,210 | 306,947 |
| Sanitation | 334,342 | 92,932 |
| Human services | 9,680,067 | 558,612 |
| Health | 2,885,232 | 937,169 |
| Culture and recreation | 591,247 | 62,200 |
| Conservation of natural resources | 835,981 | 1,728 |
| Economic development | 1,355,708 | 239,976 |
| Interest | 1,887,535 | - |
| Total Primary Government | \$ 46,357,948 | \$ 5,395,967 |
| Component Unit | | |
| Housing and Redevelopment Authority Economic Development Authority (HRA-EDA) | \$ 1,468,823 | \$ 1,031,317 |
| General Revenues | | |
| Property taxes | | |
| Gravel taxes | | |
| Mortgage registry and deed tax | | |
| Payments in lieu of tax | | |
| Grants and contributions not restricted to specific programs | | |
| Investment income | | |
| Gain on disposal of capital assets | | |
| Total general revenues | | |
| Change in net assets | | |
| Net Assets - Beginning | | |
| Net Assets - Ending | | |

EXHIBIT 2

| Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | |
|---|---|--|--|
| Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Governmental Activities | HRA-EDA Discretely Presented Component Unit |
| \$ 130,591 | \$ - | \$ (8,689,338) | |
| 830,877 | - | (8,161,417) | |
| 8,788,276 | 2,538,498 | 3,854,511 | |
| - | - | (241,410) | |
| 5,710,605 | - | (3,410,850) | |
| 1,069,545 | - | (878,518) | |
| - | - | (529,047) | |
| 252,004 | - | (582,249) | |
| 6,000 | - | (1,109,732) | |
| - | - | (1,887,535) | |
| \$ 16,787,898 | \$ 2,538,498 | \$ (21,635,585) | |
| \$ 54,704 | \$ - | | \$ (382,802) |
| | | \$ 30,504,263 | \$ 620,692 |
| | | 42,620 | - |
| | | 44,967 | - |
| | | 596,436 | - |
| | | 3,425,311 | - |
| | | 481,571 | 9,607 |
| | | 26,267 | - |
| | | \$ 35,121,435 | \$ 630,299 |
| | | \$ 13,485,850 | \$ 247,497 |
| | | 103,300,818 | 3,135,318 |
| | | \$ 116,786,668 | \$ 3,382,815 |

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

| | General | Road and Bridge |
|--|----------------------|----------------------------|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 9,762,618 | \$ 1,591,751 |
| Petty cash and change funds | 2,150 | - |
| Undistributed cash in the agency funds | 278,582 | 122,005 |
| Departmental cash | 29,827 | - |
| Cash with escrow agent | - | - |
| Taxes receivable | | |
| Prior | 778,323 | 308,992 |
| Special assessments receivable | | |
| Prior | 468 | - |
| Noncurrent | - | - |
| Accounts receivable | 12,898 | - |
| Accrued interest receivable | 42,669 | - |
| Notes receivable | 1,000,000 | - |
| Due from other funds | 34,171 | 4,717 |
| Due from other governments | 387,661 | 2,732,827 |
| Loans receivable | 234,474 | - |
| Inventories | - | 696,045 |
| Advances to other agencies | - | - |
| Prepaid items | 100,046 | 2,850 |
| | \$ 12,663,887 | \$ 5,459,187 |
| Total Assets | \$ 12,663,887 | \$ 5,459,187 |

EXHIBIT 3

| <u>Human Services</u> | <u>Debt Service</u> | <u>Jail Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-----------------------|---------------------|------------------------------|---------------------------------|---------------------------------|
| \$ 6,906,988 | \$ 4,007,003 | \$ 904,952 | \$ 4,888,087 | \$ 28,061,399 |
| - | - | - | - | 2,150 |
| 97,816 | 56,153 | - | 29,896 | 584,452 |
| - | - | - | - | 29,827 |
| - | 566,619 | - | - | 566,619 |
| 366,415 | 208,070 | - | 91,110 | 1,752,910 |
| - | - | - | 24,419 | 24,887 |
| - | 37,751 | - | 15,925 | 53,676 |
| 216,597 | - | - | 114 | 229,609 |
| - | - | - | - | 42,669 |
| - | - | - | - | 1,000,000 |
| 6,891 | - | - | - | 45,779 |
| 772,671 | - | - | 8,100 | 3,901,259 |
| - | - | - | - | 234,474 |
| - | - | - | - | 696,045 |
| 59,949 | - | - | - | 59,949 |
| - | - | - | 250 | 103,146 |
| <u>\$ 8,427,327</u> | <u>\$ 4,875,596</u> | <u>\$ 904,952</u> | <u>\$ 5,057,901</u> | <u>\$ 37,388,850</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

| | General | Road and Bridge |
|---|----------------------|----------------------------|
| <u>Liabilities and Fund Balances</u> | | |
| Liabilities | | |
| Accounts payable | \$ 239,317 | \$ 284,884 |
| Salaries payable | 158,549 | 28,310 |
| Contracts payable | - | 421,701 |
| Due to other funds | 11,608 | 11 |
| Due to other governments | 108,505 | 14,026 |
| Deferred revenue - unavailable | 609,466 | 2,843,489 |
| Deferred revenue - unearned | 53,143 | - |
| | \$ 1,180,588 | \$ 3,592,421 |
| Fund Balances | | |
| Reserved for | | |
| Prepaid items | \$ 100,046 | \$ - |
| Law library | (3,258) | - |
| Recorder's equipment | 561,311 | - |
| Inventories | - | 696,045 |
| Encumbrances | - | 348,956 |
| Debt service | - | - |
| Advance to other agency | - | - |
| Long-term receivables | 234,474 | - |
| Sheriff's contingency | 8,419 | - |
| Notes receivable | 1,000,000 | - |
| Land records technology | 539,162 | - |
| Sheriff's forfeited property | 26,693 | - |
| Driveway deposits | - | 2,800 |
| Unreserved, designated for | | |
| Future expenditures | 712,551 | - |
| Cash flows | 7,000,000 | 818,965 |
| Undesignated | 1,303,901 | - |
| Unreserved, reported in nonmajor special revenue funds | - | - |
| | \$ 11,483,299 | \$ 1,866,766 |
| Total Liabilities and Fund Balances | \$ 12,663,887 | \$ 5,459,187 |

EXHIBIT 3
(Continued)

| <u>Human Services</u> | <u>Debt Service</u> | <u>Jail Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------|-------------------------|--------------------------------------|---|---|
| \$ 152,499 | \$ - | \$ 14,720 | \$ 37,111 | \$ 728,531 |
| 94,198 | - | - | 1,457 | 282,514 |
| - | - | - | - | 421,701 |
| 34,160 | - | - | - | 45,779 |
| 59,417 | - | - | 9,293 | 191,241 |
| 305,569 | 173,140 | - | 100,670 | 4,032,334 |
| - | 37,751 | - | 15,925 | 106,819 |
| <u>\$ 645,843</u> | <u>\$ 210,891</u> | <u>\$ 14,720</u> | <u>\$ 164,456</u> | <u>\$ 5,808,919</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 100,046 |
| - | - | - | - | (3,258) |
| - | - | - | - | 561,311 |
| - | - | - | - | 696,045 |
| - | - | - | - | 348,956 |
| - | 4,000,000 | - | - | 4,000,000 |
| 59,949 | - | - | - | 59,949 |
| - | - | - | - | 234,474 |
| - | - | - | - | 8,419 |
| - | - | - | - | 1,000,000 |
| - | - | - | - | 539,162 |
| - | - | - | - | 26,693 |
| - | - | - | - | 2,800 |
| - | - | 890,232 | - | 1,602,783 |
| 6,900,000 | - | - | - | 14,718,965 |
| 821,535 | 664,705 | - | - | 2,790,141 |
| - | - | - | 4,893,445 | 4,893,445 |
| <u>\$ 7,781,484</u> | <u>\$ 4,664,705</u> | <u>\$ 890,232</u> | <u>\$ 4,893,445</u> | <u>\$ 31,579,931</u> |
| <u>\$ 8,427,327</u> | <u>\$ 4,875,596</u> | <u>\$ 904,952</u> | <u>\$ 5,057,901</u> | <u>\$ 37,388,850</u> |

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 4

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

| | | |
|--|-----------|-------------------|
| Fund balance - total governmental funds | \$ | 31,579,931 |
|--|-----------|-------------------|

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

| | | |
|--|--|-------------|
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | 130,597,154 |
|--|--|-------------|

| | | |
|--|--|-----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 4,032,334 |
|--|--|-----------|

Long-term liabilities and related accrued interest payable and deferred debt issuance charges are not due and payable in the current period and, therefore, are not reported in the governmental funds.

| | | |
|--|-----------------|--------------|
| General obligation bonds - net of premiums and discounts | \$ (37,763,422) | |
| Capital notes | (1,070,000) | |
| Capital leases | (5,582,311) | |
| Compensated absences | (3,827,099) | |
| Net OPEB liability | (672,355) | |
| Accrued interest payable | (677,940) | |
| Deferred charges | 170,376 | |
| | (49,422,751) | (49,422,751) |

| | | |
|--|-----------|---------------------------|
| Net Assets of Governmental Activities | \$ | <u>116,786,668</u> |
|--|-----------|---------------------------|

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | General | Road and Bridge | Human Services |
|--|----------------------|----------------------------|---------------------------|
| Revenues | | | |
| Taxes | \$ 13,479,857 | \$ 5,434,431 | \$ 6,209,260 |
| Special assessments | - | - | - |
| Licenses and permits | 299,044 | 18,485 | - |
| Intergovernmental | 4,894,366 | 11,078,522 | 6,682,241 |
| Charges for services | 2,386,364 | 73,293 | 1,185,842 |
| Fines and forfeits | 230,346 | - | - |
| Gifts and contributions | 7,004 | - | - |
| Investment earnings | 518,924 | - | 7,648 |
| Miscellaneous | 325,427 | 224,103 | 309,939 |
| | \$ 22,141,332 | \$ 16,828,834 | \$ 14,394,930 |
| Expenditures | | | |
| Current | | | |
| General government | \$ 10,132,085 | \$ 126,840 | \$ - |
| Public safety | 9,665,095 | - | - |
| Highways and streets | - | 15,587,282 | - |
| Sanitation | - | - | - |
| Human services | - | - | 9,478,687 |
| Health | - | - | 2,827,477 |
| Culture and recreation | 330,378 | - | - |
| Conservation of natural resources | 535,836 | - | - |
| Economic development | 716,714 | - | - |
| Intergovernmental | 567,738 | - | - |
| Capital outlay | - | - | - |
| Debt service | | | |
| Principal | - | - | - |
| Interest and fiscal charges | - | - | - |
| Bond issue costs | - | - | - |
| Administrative charges | - | - | - |
| | \$ 21,947,846 | \$ 15,714,122 | \$ 12,306,164 |
| Excess of Revenues Over (Under) | | | |
| Expenditures | \$ 193,486 | \$ 1,114,712 | \$ 2,088,766 |

EXHIBIT 5

| <u>Debt Service</u> | <u>County Capital Projects</u> | <u>Jail Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-----------------------|--------------------------------|------------------------------|---------------------------------|---------------------------------|
| \$ 3,695,810 | \$ - | \$ - | \$ 1,501,123 | \$ 30,320,481 |
| - | - | - | 253,702 | 253,702 |
| - | - | - | 8,720 | 326,249 |
| 1,164,154 | - | - | 361,964 | 24,181,247 |
| - | - | - | 46,620 | 3,692,119 |
| - | - | - | - | 230,346 |
| - | - | - | - | 7,004 |
| 7,140 | - | - | - | 533,712 |
| 824 | - | - | 127,873 | 988,166 |
| \$ 4,867,928 | \$ - | \$ - | \$ 2,300,002 | \$ 60,533,026 |
| | | | | |
| \$ - | \$ - | \$ - | \$ 5,380 | \$ 10,264,305 |
| - | - | - | - | 9,665,095 |
| - | - | - | - | 15,587,282 |
| - | - | - | 362,716 | 362,716 |
| - | - | - | - | 9,478,687 |
| - | - | - | 20,520 | 2,847,997 |
| - | - | - | - | 330,378 |
| - | - | - | 296,341 | 832,177 |
| - | - | - | - | 716,714 |
| - | - | - | - | 567,738 |
| - | 13,432 | 249,505 | 475,245 | 738,182 |
| 5,231,768 | - | - | - | 5,231,768 |
| 1,884,205 | - | - | - | 1,884,205 |
| 19,344 | - | - | - | 19,344 |
| 5,743 | - | - | - | 5,743 |
| \$ 7,141,060 | \$ 13,432 | \$ 249,505 | \$ 1,160,202 | \$ 58,532,331 |
| | | | | |
| \$ (2,273,132) | \$ (13,432) | \$ (249,505) | \$ 1,139,800 | \$ 2,000,695 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>General</u> | <u>Road and Bridge</u> | <u>Human Services</u> |
|--|----------------------|----------------------------|---------------------------|
| Other Financing Sources (Uses) | | | |
| Transfers in | \$ 1,308,558 | \$ - | \$ - |
| Transfers out | - | (830,528) | - |
| Proceeds from the sale of refunding bonds | - | - | - |
| Discount on bonds | - | - | - |
| Premium on bonds | - | - | - |
| Proceeds from the sale of capital assets | 15,000 | 6,900 | - |
| Total Other Financing Sources (Uses) | \$ 1,323,558 | \$ (823,628) | \$ - |
| Net Change in Fund Balances | \$ 1,517,044 | \$ 291,084 | \$ 2,088,766 |
| Fund Balances - January 1 | 9,966,255 | 1,350,084 | 5,692,718 |
| Increase (decrease) in reserved for inventories | - | 225,598 | - |
| Fund Balances - December 31 | \$ 11,483,299 | \$ 1,866,766 | \$ 7,781,484 |

EXHIBIT 5
(Continued)

| Debt Service | County Capital Projects | Jail Capital Projects | Other Governmental Funds | Total Governmental Funds |
|-------------------------|--|--------------------------------------|---|---|
| \$ 890,131 | \$ - | \$ - | \$ 35,403 | \$ 2,234,092 |
| - | - | - | (1,403,564) | (2,234,092) |
| 3,315,000 | - | - | - | 3,315,000 |
| (37,294) | - | - | - | (37,294) |
| 86,628 | - | - | - | 86,628 |
| - | - | - | 3,036 | 24,936 |
| \$ 4,254,465 | \$ - | \$ - | \$ (1,365,125) | \$ 3,389,270 |
| \$ 1,981,333 | \$ (13,432) | \$ (249,505) | \$ (225,325) | \$ 5,389,965 |
| 2,683,372 | 13,432 | 1,139,737 | 5,118,770 | 25,964,368 |
| - | - | - | - | 225,598 |
| \$ 4,664,705 | \$ - | \$ 890,232 | \$ 4,893,445 | \$ 31,579,931 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Net change in fund balance - total governmental funds **\$ 5,389,965**

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and the statement of activities is the increase or decrease in revenues deferred as unavailable.

| | | |
|--------------------------------|--------------------|-----------|
| Deferred revenue - December 31 | \$ 4,032,334 | |
| Deferred revenue - January 1 | <u>(4,657,310)</u> | (624,976) |

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. Also, in the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the disposal increase financial resources.

| | | |
|-----------------------------------|--------------------|-----------|
| Expenditures for capital assets | \$ 11,567,909 | |
| Net book value of disposed assets | (382,694) | |
| Current year depreciation | <u>(4,033,088)</u> | 7,152,127 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized in the statement of net assets.

| | | |
|--|-----------------|-------------|
| New debt issued (bonds and capital leases) | \$ (3,386,394) | |
| Premium, discount and issuance costs | <u>(29,990)</u> | (3,416,384) |

| | | |
|--|--|-----------|
| Principal repayments | | |
| Reported as debt service expenditures (bonds, notes, and capital leases) | | 5,231,768 |

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

| | | |
|---|----------------|------------------|
| Change in accrued interest payable | \$ 64,333 | |
| Amortization of bond discounts, premiums, and deferred issuance charges | (61,920) | |
| Change in compensated absences | (156,940) | |
| Change in net OPEB liability | (317,721) | |
| Change in inventories | <u>225,598</u> | <u>(246,650)</u> |

Change in Net Assets of Governmental Activities **\$ 13,485,850**

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 7

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 14,402,177 | \$ 14,402,177 | \$ 13,479,857 | \$ (922,320) |
| Licenses and permits | 401,067 | 401,067 | 299,044 | (102,023) |
| Intergovernmental | 4,089,040 | 3,686,962 | 4,894,366 | 1,207,404 |
| Charges for services | 2,356,350 | 2,356,350 | 2,386,364 | 30,014 |
| Fines and forfeits | 228,324 | 228,324 | 230,346 | 2,022 |
| Gifts and contributions | 1,200 | 1,200 | 7,004 | 5,804 |
| Investment earnings | 800,000 | 800,000 | 518,924 | (281,076) |
| Miscellaneous | 50,000 | 50,000 | 325,427 | 275,427 |
| Total Revenues | \$ 22,328,158 | \$ 21,926,080 | \$ 22,141,332 | \$ 215,252 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Commissioners | \$ 283,507 | \$ 283,507 | \$ 266,931 | \$ 16,576 |
| Courts | 249,340 | 249,340 | 245,587 | 3,753 |
| Law library | 45,324 | 64,409 | 58,581 | 5,828 |
| County administrator | 496,196 | 496,196 | 497,348 | (1,152) |
| County auditor | 437,868 | 437,868 | 410,373 | 27,495 |
| County treasurer | 276,511 | 276,511 | 266,543 | 9,968 |
| County assessor | 764,661 | 764,661 | 697,742 | 66,919 |
| Elections | 41,500 | 41,500 | 17,237 | 24,263 |
| Data processing | 3,378,877 | 3,378,877 | 3,361,629 | 17,248 |
| Central services | 174,500 | 174,500 | 115,557 | 58,943 |
| Attorney | 1,194,489 | 1,194,489 | 1,135,346 | 59,143 |
| Recorder | 518,709 | 1,383,416 | 252,894 | 1,130,522 |
| Planning and zoning | 792,558 | 808,189 | 705,058 | 103,131 |
| Maintenance | 371,217 | 371,217 | 355,052 | 16,165 |
| Veterans service officer | 77,965 | 77,965 | 73,763 | 4,202 |
| Other general government | 905,036 | 1,881,782 | 1,672,444 | 209,338 |
| Total general government | \$ 10,008,258 | \$ 11,884,427 | \$ 10,132,085 | \$ 1,752,342 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**EXHIBIT 7
(Continued)**

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Public safety | | | | |
| Sheriff | \$ 4,386,367 | \$ 4,386,367 | \$ 4,030,643 | \$ 355,724 |
| Sheriff's contingent | - | 11,420 | 9,242 | 2,178 |
| Boat and water safety | 34,841 | 34,841 | 52,599 | (17,758) |
| Coroner | 90,483 | 90,483 | 92,238 | (1,755) |
| Enhanced 911 system | 125,400 | 307,146 | 125,400 | 181,746 |
| County jail | 4,079,569 | 4,079,569 | 3,796,581 | 282,988 |
| Caseload reduction | 83,645 | 97,382 | 69,744 | 27,638 |
| Jail canteen fund | - | 52,212 | 41,377 | 10,835 |
| Probation and parole | 716,698 | 716,698 | 737,216 | (20,518) |
| Sentenced to serve | 54,000 | 54,000 | 55,351 | (1,351) |
| Electronic monitoring | 19,184 | 19,184 | 18,648 | 536 |
| Juvenile substance abuse court | 39,187 | 75,573 | 41,402 | 34,171 |
| Civil defense | - | - | (1,393) | 1,393 |
| Emergency management | 46,115 | 48,640 | 103,318 | (54,678) |
| Other public safety | 543,871 | 844,990 | 492,729 | 352,261 |
| Total public safety | \$ 10,219,360 | \$ 10,818,505 | \$ 9,665,095 | \$ 1,153,410 |
| Culture and recreation | | | | |
| Historical society | \$ 38,150 | \$ 38,150 | \$ 38,150 | \$ - |
| Parks | 251,183 | 251,183 | 222,791 | 28,392 |
| Senior citizens | 39,000 | 39,000 | 39,000 | - |
| Other | 27,402 | 27,642 | 30,437 | (2,795) |
| Total culture and recreation | \$ 355,735 | \$ 355,975 | \$ 330,378 | \$ 25,597 |
| Conservation of natural resources | | | | |
| Cooperative extension | \$ 140,656 | \$ 140,656 | \$ 103,118 | \$ 37,538 |
| Soil and water conservation | 60,000 | 60,000 | 60,000 | - |
| Agricultural society/County fair | 22,000 | 22,000 | 22,000 | - |
| Oak wilt program | 3,000 | 3,000 | 3,000 | - |
| Water planning | 88,890 | 224,793 | 165,535 | 59,258 |
| Wetland challenge | 87,799 | 119,357 | 91,702 | 27,655 |
| Other | 15,020 | 36,365 | 90,481 | (54,116) |
| Total conservation of natural resources | \$ 417,365 | \$ 606,171 | \$ 535,836 | \$ 70,335 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**EXHIBIT 7
(Continued)**

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-----------------------------------|-----------------------------------|------------------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Economic development | | | | |
| Community development | \$ 165,000 | \$ 165,000 | \$ 101,998 | \$ 63,002 |
| Other | <u>605,114</u> | <u>605,634</u> | <u>614,716</u> | <u>(9,082)</u> |
| Total economic development | <u>\$ 770,114</u> | <u>\$ 770,634</u> | <u>\$ 716,714</u> | <u>\$ 53,920</u> |
| Intergovernmental | | | | |
| Library | <u>\$ 575,000</u> | <u>\$ 575,000</u> | <u>\$ 567,738</u> | <u>\$ 7,262</u> |
| Total Expenditures | <u>\$ 22,345,832</u> | <u>\$ 25,010,713</u> | <u>\$ 21,947,846</u> | <u>\$ 3,062,867</u> |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | <u>\$ (17,674)</u> | <u>\$ (3,084,633)</u> | <u>\$ 193,486</u> | <u>\$ 3,278,119</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ (7,326) | \$ 1,305,058 | \$ 1,308,558 | \$ 3,500 |
| Proceeds from the sale of capital assets | <u>-</u> | <u>-</u> | <u>15,000</u> | <u>15,000</u> |
| Total Other Financing Sources (Uses) | <u>\$ (7,326)</u> | <u>\$ 1,305,058</u> | <u>\$ 1,323,558</u> | <u>\$ 18,500</u> |
| Net Change in Fund Balance | <u>\$ (25,000)</u> | <u>\$ (1,779,575)</u> | <u>\$ 1,517,044</u> | <u>\$ 3,296,619</u> |
| Fund Balance - January 1 | <u>9,966,255</u> | <u>9,966,255</u> | <u>9,966,255</u> | <u>-</u> |
| Fund Balance - December 31 | <u><u>\$ 9,941,255</u></u> | <u><u>\$ 8,186,680</u></u> | <u><u>\$ 11,483,299</u></u> | <u><u>\$ 3,296,619</u></u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 8

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 5,784,650 | \$ 5,784,650 | \$ 5,434,431 | \$ (350,219) |
| Licenses and permits | 19,000 | 19,000 | 18,485 | (515) |
| Intergovernmental | 7,462,604 | 7,462,604 | 11,078,522 | 3,615,918 |
| Charges for services | 66,000 | 66,000 | 73,293 | 7,293 |
| Miscellaneous | - | - | 224,103 | 224,103 |
| Total Revenues | \$ 13,332,254 | \$ 13,332,254 | \$ 16,828,834 | \$ 3,496,580 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Surveyor | \$ 103,581 | \$ 103,581 | \$ 126,840 | \$ (23,259) |
| Highways and streets | | | | |
| Administration | \$ 943,759 | \$ 943,759 | \$ 1,313,511 | \$ (369,752) |
| Engineering | 1,085,128 | 1,085,128 | 1,183,138 | (98,010) |
| Maintenance | 3,816,055 | 3,816,055 | 3,527,394 | 288,661 |
| Construction | 6,410,000 | 6,410,000 | 8,712,882 | (2,302,882) |
| Equipment, maintenance, and shop | 973,731 | 973,731 | 850,357 | 123,374 |
| Total highways and streets | \$ 13,228,673 | \$ 13,228,673 | \$ 15,587,282 | \$ (2,358,609) |
| Total Expenditures | \$ 13,332,254 | \$ 13,332,254 | \$ 15,714,122 | \$ (2,381,868) |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ - | \$ - | \$ 1,114,712 | \$ 1,114,712 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | \$ - | \$ - | \$ (830,528) | \$ (830,528) |
| Proceeds from the sale of capital assets | - | - | 6,900 | 6,900 |
| Total Other Financing Sources (Uses) | \$ - | \$ - | \$ (823,628) | \$ (823,628) |
| Net Change in Fund Balance | \$ - | \$ - | \$ 291,084 | \$ 291,084 |
| Fund Balance - January 1 | 1,350,084 | 1,350,084 | 1,350,084 | - |
| Increase (decrease) in reserved for inventories | - | - | 225,598 | 225,598 |
| Fund Balance - December 31 | \$ 1,350,084 | \$ 1,350,084 | \$ 1,866,766 | \$ 516,682 |

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

Page 30

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 9

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 6,578,428 | \$ 6,578,428 | \$ 6,209,260 | \$ (369,168) |
| Intergovernmental | 5,938,631 | 5,938,631 | 6,682,241 | 743,610 |
| Charges for services | 838,643 | 838,643 | 1,185,842 | 347,199 |
| Investment earnings | - | - | 7,648 | 7,648 |
| Miscellaneous | 324,039 | 324,039 | 309,939 | (14,100) |
| Total Revenues | \$ 13,679,741 | \$ 13,679,741 | \$ 14,394,930 | \$ 715,189 |
| Expenditures | | | | |
| Current | | | | |
| Human services | | | | |
| Income maintenance | \$ 2,882,892 | \$ 2,882,892 | \$ 2,669,450 | \$ 213,442 |
| Social services | 7,932,681 | 7,932,681 | 6,805,795 | 1,126,886 |
| Other | - | - | 3,442 | (3,442) |
| Total human services | \$ 10,815,573 | \$ 10,815,573 | \$ 9,478,687 | \$ 1,336,886 |
| Health | | | | |
| Nursing service | \$ 1,999,243 | \$ 1,999,243 | \$ 1,959,396 | \$ 39,847 |
| Maternal and child health | 864,925 | 864,925 | 868,081 | (3,156) |
| Total health | \$ 2,864,168 | \$ 2,864,168 | \$ 2,827,477 | \$ 36,691 |
| Total Expenditures | \$ 13,679,741 | \$ 13,679,741 | \$ 12,306,164 | \$ 1,373,577 |
| Net Change in Fund Balance | \$ - | \$ - | \$ 2,088,766 | \$ 2,088,766 |
| Fund Balance - January 1 | 5,692,718 | 5,692,718 | 5,692,718 | - |
| Fund Balance - December 31 | \$ 5,692,718 | \$ 5,692,718 | \$ 7,781,484 | \$ 2,088,766 |

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

CHISAGO COUNTY
CENTER CITY, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009

| | <u>Agency</u> |
|-----------------------------|----------------------------|
| | |
| <u>Assets</u> | |
| Cash and pooled investments | <u>\$ 1,055,452</u> |
| | |
| <u>Liabilities</u> | |
| Accounts payable | \$ 2,733 |
| Deferred benefits | 53,447 |
| Due to other governments | <u>999,272</u> |
| Total Liabilities | <u>\$ 1,055,452</u> |

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

1. Summary of Significant Accounting Policies

Chisago County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2009. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Chisago County was established September 1, 1851, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 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 Administrator, appointed by the Board for an indefinite term, serves as the clerk of the Board of Commissioners but has no vote.

As required by generally accepted accounting principles, these financial statements present Chisago County (the primary government) and its discretely presented component unit, the Chisago County Housing and Redevelopment Authority Economic Development Authority (HRA-EDA). Disclosures for the HRA-EDA are in Note 6.

A five-member Board appointed by the County Board governs the HRA-EDA. The HRA-EDA is reported in a separate column to emphasize that the HRA-EDA is legally separate from the County. The HRA-EDA is included because the County is financially accountable and is able to impose its will on the HRA-EDA. Separate financial statements for the HRA-EDA may be obtained at its office at 38883 - 7th Avenue, North Branch, Minnesota 55056.

Joint Ventures

The County participates in three joint ventures described in Note 5.C.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.
- The Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on the debt issued by the County for construction of various County buildings and roads.
- The County Capital Projects Fund is used to account for the construction of the Human Services Building and road projects funded by the issuance of capital improvement bonds.
- The Jail Capital Projects Fund is used to account for the preconstruction costs of the new jail funded by the issuance of temporary jail bonds.

Additionally, the County reports the following fund type:

- Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, and other governments. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. 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. Chisago County considers all revenues as available if collected within 60 days after the end of the current period.

Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. 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, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2009 were \$481,571.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| <u>Assets</u> | <u>Years</u> |
|------------------------------------|--------------|
| Buildings | 40 |
| Public domain infrastructure | 50 - 75 |
| Furniture, equipment, and vehicles | 5 - 10 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Fund Equity

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

9. Use of Estimates

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

E. Revenues

For the fund financial statements, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used for all governmental fund types. Under this basis, revenue is not recognized in the financial statements unless it is available to finance current expenditures.

1. Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on nongovernmental entities and individuals. Property taxes, fines and penalties, and property forfeitures are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable but not available are reported as deferred revenue and will be recognized as revenue in the fiscal year that they become available. Fines and penalties and property forfeitures are recognized in the period received.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues (Continued)

2. Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the County perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditure is incurred.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

Tax credits paid by the state are included in intergovernmental revenues and are recognized as revenue in the fiscal year that they become available. Subject to the availability criterion, state-aid highway allotments for highway maintenance and construction are recognized as revenue in the year of allotment.

3. Exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. Special assessments levied against benefiting properties are recognized under the modified accrual basis when available to finance current expenditures. Other revenues, such as licenses and permits, charges for services, and investment income are recognized as revenue when earned.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major and most nonmajor governmental funds. All appropriations lapse at year-end.

On or before mid-August of each year, all departments 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 public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriation--is the departmental level. The Board made some supplemental budgetary appropriations throughout the year; however, none were material.

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of \$107,349 as of December 31, 2009, although three ditches had deficit balances. The deficits will be eliminated with future special assessment levies against benefited properties. Following is a summary of the individual ditch systems:

| | |
|-------------------------------------|-------------------|
| Ten ditches with positive balances | \$ 107,836 |
| Three ditches with deficit balances | <u>(487)</u> |
| Net Fund Balance | <u>\$ 107,349</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

C. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget at the department level for the year ended December 31, 2009.

| | <u>Expenditures</u> | <u>Budget</u> | <u>Excess</u> |
|-----------------------------------|---------------------|---------------|---------------|
| General Fund | | | |
| Current | | | |
| General government | | | |
| County administrator | \$ 497,348 | \$ 496,196 | \$ 1,152 |
| Public safety | | | |
| Boat and water safety | 52,599 | 34,841 | 17,758 |
| Coroner | 92,238 | 90,483 | 1,755 |
| Probation and parole | 737,216 | 716,698 | 20,518 |
| Sentence to serve | 55,351 | 54,000 | 1,351 |
| Emergency management | 103,318 | 48,640 | 54,678 |
| Culture and recreation | | | |
| Other | 30,437 | 27,642 | 2,795 |
| Conservation of natural resources | | | |
| Other | 90,481 | 36,365 | 54,116 |
| Economic development | | | |
| Other | 614,716 | 605,634 | 9,082 |
| Special Revenue Funds | | | |
| Road and Bridge | | | |
| Current | | | |
| General government | | | |
| Surveyor | 126,840 | 103,581 | 23,259 |
| Highways and streets | | | |
| Administration | 1,313,511 | 943,759 | 369,752 |
| Engineering | 1,183,138 | 1,085,128 | 98,010 |
| Construction | 8,712,882 | 6,410,000 | 2,302,882 |
| Human Services | | | |
| Current | | | |
| Human Services | | | |
| Other | 3,442 | - | 3,442 |
| Health | | | |
| Maternal and child health | 868,081 | 864,925 | 3,156 |
| County Building | | | |
| Capital outlay | | | |
| Public safety | 2,857 | - | 2,857 |
| Highways and streets | 9,626 | - | 9,626 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

2. Stewardship, Compliance, and Accountability

C. Excess of Expenditures Over Budget (Continued)

| | Expenditures | Budget | Excess |
|-----------------------------------|--------------|---------|--------|
| Special Revenue Funds (Continued) | | | |
| Ditch | | | |
| Current | | | |
| Conservation of natural resources | 17,847 | 9,500 | 8,347 |
| Lake Improvement District | | | |
| Current | | | |
| Conservation of natural resources | 278,494 | 250,000 | 28,494 |
| Solid Waste | | | |
| Current | | | |
| Sanitation | | | |
| Hazardous waste | 210,633 | 159,995 | 50,638 |

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

| | | |
|---|--|----------------------|
| Government-wide statement of net assets | | |
| Governmental activities | | |
| Cash and pooled investments | | \$ 29,244,447 |
| Statement of fiduciary net assets | | |
| Cash and pooled investments | | <u>1,055,452</u> |
| Total Cash and Investments | | <u>\$ 30,299,899</u> |
| Deposits | | \$ 1,301,904 |
| Petty cash and change funds | | 2,150 |
| Departmental cash | | 29,827 |
| Investments | | <u>28,966,018</u> |
| Total Deposits, Cash on Hand, and Investments | | <u>\$ 30,299,899</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies, general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution 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. However, the County complies with Minnesota statutes in establishing collateral for its deposits. At December 31, 2009, the County was not exposed to custodial credit risk.

b. Investments

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

At December 31, 2009, the County had the following investments:

| | Fair Value | Less Than 1 Year | 1 - 5 Years | 5+ Years |
|---------------------------------------|----------------------|----------------------|---------------------|---------------------|
| U.S. agency securities | \$ 12,199,103 | \$ 166,667 | \$ 4,421,581 | \$ 7,610,855 |
| MAGIC Fund | 14,388,290 | 14,388,290 | - | - |
| Negotiable certificates of deposit | 2,378,625 | 1,409,168 | 969,457 | - |
| Total Investments | <u>\$ 28,966,018</u> | <u>\$ 15,964,125</u> | <u>\$ 5,391,038</u> | <u>\$ 7,610,855</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's exposure to credit risk at December 31, 2009, is as follows:

| | S & P Rating | Fair Value |
|------------------------------------|--------------|---------------|
| U.S. agency securities | AAA | \$ 12,199,103 |
| MAGIC Fund | N/R | 14,388,290 |
| Negotiable certificates of deposit | N/A | 2,378,625 |
| Total | | \$ 28,966,018 |

N/R - Not rated
N/A - Not applicable

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. Investments in any one issuer that represent five percent or more of the County's investments are as follows:

| Issuer | Reported Amount |
|------------------------------|-----------------|
| FHLMC - Wells Fargo Advisors | \$ 2,701,845 |
| FHLB - Wells Fargo Advisors | 4,090,129 |
| FNMA - Wells Fargo Advisors | 4,156,944 |
| MAGIC Fund | 14,388,290 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. All securities purchased by the County are held in safekeeping by a third-party designated institution as agent for the County. As of December 31, 2009, the County's investments were not exposed to custodial credit risk.

2. Receivables

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

| | Total Receivables | Amounts Not Scheduled for Collection During the Subsequent Year |
|-------------------------------|----------------------|---|
| Governmental Activities | | |
| Taxes | \$ 1,752,910 | \$ - |
| Special assessments | 78,563 | 53,676 |
| Accounts | 229,609 | - |
| Accrued interest | 42,669 | - |
| Notes | 1,000,000 | 1,000,000 |
| Due from other governments | 3,901,259 | - |
| Loans | 234,474 | 206,985 |
| Total Governmental Activities | \$ 7,239,484 | \$ 1,260,661 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---------------------------------------|-----------------------|---------------------|---------------------|-----------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 2,613,277 | \$ - | \$ - | \$ 2,613,277 |
| Construction in progress | 11,795,408 | 8,441,544 | - | 20,236,952 |
| Total capital assets not depreciated | <u>\$ 14,408,685</u> | <u>\$ 8,441,544</u> | <u>\$ -</u> | <u>\$ 22,850,229</u> |
| Capital assets depreciated | | | | |
| Buildings | \$ 22,447,096 | \$ 230,986 | \$ - | \$ 22,678,082 |
| Machinery, furniture, and equipment | 12,463,945 | 1,314,873 | 474,785 | 13,304,033 |
| Infrastructure | 102,847,572 | 1,580,506 | 572,629 | 103,855,449 |
| Total capital assets depreciated | <u>\$ 137,758,613</u> | <u>\$ 3,126,365</u> | <u>\$ 1,047,414</u> | <u>\$ 139,837,564</u> |
| Less: accumulated depreciation for | | | | |
| Buildings | \$ 6,557,107 | \$ 570,296 | \$ - | \$ 7,127,403 |
| Machinery, furniture, and equipment | 6,967,521 | 1,547,000 | 434,714 | 8,079,807 |
| Infrastructure | 15,197,643 | 1,915,792 | 230,006 | 16,883,429 |
| Total accumulated depreciation | <u>\$ 28,722,271</u> | <u>\$ 4,033,088</u> | <u>\$ 664,720</u> | <u>\$ 32,090,639</u> |
| Total capital assets depreciated, net | <u>\$ 109,036,342</u> | <u>\$ (906,723)</u> | <u>\$ 382,694</u> | <u>\$ 107,746,925</u> |
| Capital Assets, Net | <u>\$ 123,445,027</u> | <u>\$ 7,534,821</u> | <u>\$ 382,694</u> | <u>\$ 130,597,154</u> |

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

| | |
|---|---------------------|
| Governmental Activities | |
| General government | \$ 802,120 |
| Public safety | 437,999 |
| Highways and streets, including depreciation of infrastructure assets | 2,424,905 |
| Sanitation | 6,440 |
| Health | 80,982 |
| Culture and recreation | 222,107 |
| Economic development | 58,535 |
| Total Depreciation Expense - Governmental Activities | <u>\$ 4,033,088</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| General | Human Services | \$ 34,160 |
| General | Road and Bridge | 11 |
| Road and Bridge | General | 4,717 |
| Human Services | General | 6,891 |
| | | <hr/> |
| Total | | \$ 45,779 |

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system and when the funds are repaid. All balances are expected to be liquidated in the subsequent year.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

| | | |
|--|--------------|---|
| Transfer to General Fund from Capital Equipment Fund | \$ 1,239,558 | Return of budget favorability |
| Transfer to General Fund from Solid Waste Fund | 68,500 | Transfer of solid waste fees |
| Transfer to General Fund from Lake Improvement District Fund | 500 | Transfer of solid waste fees |
| Transfers to Debt Service Fund from Road and Bridge Fund | 830,528 | Provide funds for repayment of debt |
| Transfers to Debt Service Fund from Capital Equipment Fund | 59,603 | Provide funds for repayment of debt |
| Transfer to County Building Fund from Nursing Home Fund | 35,403 | Transfer remaining cash on fund closure |
| | <hr/> | |
| Total Interfund Transfers | \$ 2,234,092 | |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2009, were as follows:

| | Governmental Activities |
|--------------------------|----------------------------|
| Accounts | \$ 728,531 |
| Salaries | 282,514 |
| Contracts | 421,701 |
| Due to other governments | 191,241 |
| Total Payables | \$ 1,623,987 |

2. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable, state grants that are not collected soon enough after year-end to pay liabilities of the current period, state and federal grants received but not yet earned, and highway allotments and other revenue sources either received but unearned or not received soon enough after year-end. Deferred revenue at December 31, 2009, is summarized below by fund:

| | Taxes and Special Assessments | Grants | Highway Allotments and Other | Total |
|---------------------------|-------------------------------------|-----------|------------------------------------|--------------|
| Major governmental funds | | | | |
| General | \$ 605,031 | \$ 53,143 | \$ 4,435 | \$ 662,609 |
| Road and Bridge | 256,696 | - | 2,586,793 | 2,843,489 |
| Human Services | 305,569 | - | - | 305,569 |
| Debt Service | 210,891 | - | - | 210,891 |
| Other governmental funds | | | | |
| County Building | 3,850 | - | - | 3,850 |
| Ditch | 501 | - | - | 501 |
| Lake Improvement District | 23,498 | - | - | 23,498 |
| Solid Waste | 23,919 | - | - | 23,919 |
| Capital Equipment | 64,827 | - | - | 64,827 |
| Total | \$ 1,494,782 | \$ 53,143 | \$ 2,591,228 | \$ 4,139,153 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Deferred Revenue (Continued)

| | Taxes and Special Assessments | Grants | Highway Allotments and Other | Total |
|------------------|-------------------------------------|------------------|------------------------------------|---------------------|
| Deferred revenue | | | | |
| Unavailable | \$ 1,441,106 | \$ - | \$ 2,591,228 | \$ 4,032,334 |
| Unearned | 53,676 | 53,143 | - | 106,819 |
| Total | <u>\$ 1,494,782</u> | <u>\$ 53,143</u> | <u>\$ 2,591,228</u> | <u>\$ 4,139,153</u> |

3. Capital Leases

The County has entered into capital lease agreements for: (1) road and bridge equipment, and (2) financing the construction of various County buildings by the Chisago County HRA-EDA. These agreements qualify as capital leases for accounting purposes.

The building improvements and computer systems are recorded by the County as capital assets at the present value of the future minimum lease payments as of the inception of the leases.

| Lease | Maturity | Installment | Payment Amount | Original | Balance |
|-------------------------------|----------|-------------|-------------------|------------|---------------------|
| 2007 Caterpillar wheel loader | 2012 | Annually | \$ 25,220 | \$ 105,516 | \$ 67,102 |
| 2007 Caterpillar wheel loader | 2012 | Annually | 34,383 | 143,856 | 91,485 |
| Buildings and libraries | 2026 | Annually | Various | 10,720,000 | 5,423,724 |
| Total Capital Leases | | | | | <u>\$ 5,582,311</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2009, were as follows:

| Year Ending December 31 | Governmental Activities |
|--|----------------------------|
| 2010 | \$ 586,362 |
| 2011 | 586,050 |
| 2012 | 590,188 |
| 2013 | 529,103 |
| 2014 | 531,733 |
| 2015 and beyond | 6,126,710 |
| Total minimum lease payments | \$ 8,950,146 |
| Less | |
| Amount representing interest | (2,801,559) |
| Amount representing cash with escrow held by the Chisago County HRA-EDA | (566,276) |
| Present Value of Minimum Lease Payments | \$ 5,582,311 |

4. Long-Term Debt

The County issues general obligation bonds and capital notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the County. General obligation bonds and notes outstanding at December 31, 2009, are as follows:

| Type of Indebtedness | Final Maturity | Installment Amounts | Interest Rates (%) | Original Issue Amount | Balance December 31, 2009 |
|---------------------------------|-------------------|--------------------------|--------------------------|-----------------------------|---------------------------------|
| 2002A Capital Improvement Bonds | 2018 | \$50,000 - \$90,000 | 4.40 - 4.90 | \$ 1,000,000 | \$ 675,000 |
| 2003A Capital Improvement Bonds | 2013 | \$400,000 - \$550,000 | 3.00 - 3.40 | 2,000,000 | 2,000,000 |
| 2003B Jail and Courthouse Bonds | 2014 | \$65,000 - \$85,000 | 2.05 - 4.10 | 720,000 | 390,000 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

| Type of Indebtedness | Final Maturity | Installment Amounts | Interest Rates (%) | Original Issue Amount | Balance December 31, 2009 |
|---|-------------------|----------------------------|--------------------------|-----------------------------|---------------------------------|
| 2004A State-Aid Road Bonds | 2014 | \$365,000 - \$450,000 | 1.50 - 3.30 | 4,000,000 | 2,120,000 |
| 2005A Road Reconstruction Bonds | 2017 | \$590,000 - \$835,000 | 3.50 - 4.00 | 7,000,000 | 5,800,000 |
| 2005B Capital Notes | 2015 | \$125,000 - \$195,000 | 3.60 - 4.00 | 1,500,000 | 1,070,000 |
| 2006 Capital Improvement Bonds | 2026 | \$250,000 - \$1,975,000 | 4.00 - 4.75 | 14,500,000 | 14,250,000 |
| 2007A State-Aid Road Bonds | 2018 | \$330,000 - \$470,000 | 3.65 - 3.85 | 3,960,000 | 3,630,000 |
| 2007B Temporary Jail Bonds | 2010 | \$5,500,000 | 3.75 | 5,500,000 | 5,500,000 |
| 2009A Refunding Bonds | 2018 | \$85,000 - \$510,000 | 2.00 - 3.00 | 3,315,000 | 3,315,000 |
| Total General Obligation Bonds and Notes | | | | \$ 43,495,000 | \$ 38,750,000 |
| Add: unamortized premium | | | | | 168,741 |
| Less: unamortized discount | | | | | (85,319) |
| Total Bonds and Notes, Net | | | | | \$ 38,833,422 |

Bond Refunding

On March 24, 2009, the County issued \$3,315,000 in General Obligation Capital Improvement Refunding Bonds, Series 2009A, to refund the outstanding General Obligation Capital Improvement Bonds, Series 2001, and the General Obligation Capital Improvement Bonds, Series 2002A. A portion of the net proceeds of the Series 2009A bonds were used to refund the Series 2001 bonds on March 25, 2009. The remaining net proceeds of the Series 2009A bonds were deposited with an escrow agent and will be used to crossover refund the Series 2002A bonds on August 1, 2011.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt

Bond Refunding (Continued)

On August 1 2009, the County “crossed over” from the Series 2001 bonds and began making payments on a portion of the Series 2009A bonds. On August 1, 2010, the County will “cross over” from the Series 2002A bonds and begin making all remaining payments on the Series 2009A bonds. The County will continue to report long-term debt for the Series 2002A bonds until the August 1, 2010, crossover date. The County refunded the Series 2001 and 2002A bonds to reduce its total debt service payments by \$274,994 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$255,385.

5. Debt Service Requirements

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

| Year Ending December 31 | General Obligation Bonds | | Capital Notes | |
|----------------------------|--------------------------|---------------|---------------|------------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 8,315,000 | \$ 1,323,148 | \$ 160,000 | \$ 38,507 |
| 2011 | 3,455,000 | 1,113,949 | 170,000 | 32,483 |
| 2012 | 2,510,000 | 1,011,084 | 175,000 | 25,969 |
| 2013 | 2,470,000 | 928,900 | 180,000 | 19,000 |
| 2014 | 2,150,000 | 853,021 | 190,000 | 11,600 |
| 2015 - 2019 | 7,970,000 | 3,326,763 | 195,000 | 3,900 |
| 2020 - 2024 | 7,195,000 | 1,742,309 | - | - |
| 2025 - 2029 | 3,615,000 | 179,668 | - | - |
| Total | \$ 37,680,000 | \$ 10,478,842 | \$ 1,070,000 | \$ 131,459 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|--------------|--------------|-------------------|------------------------|
| Bonds payable | | | | | |
| General obligation bonds | \$ 39,155,000 | \$ 3,315,000 | \$ 4,790,000 | \$ 37,680,000 | \$ 8,315,000 |
| Capital notes | 1,225,000 | - | 155,000 | 1,070,000 | 160,000 |
| Add: unamortized premium | 99,972 | 86,628 | 17,859 | 168,741 | - |
| Less: deferred amounts for issuance discounts | (81,403) | (37,294) | (33,378) | (85,319) | - |
| Total bonds and notes payable | \$ 40,398,569 | \$ 3,364,334 | \$ 4,929,481 | \$ 38,833,422 | \$ 8,475,000 |
| Capital leases | 5,797,685 | 71,394 | 286,768 | 5,582,311 | 294,692 |
| Compensated absences | 3,670,159 | 156,940 | - | 3,827,099 | 1,271,924 |
| Net OPEB liability | 354,634 | 317,721 | - | 672,355 | - |
| Long-Term Liabilities | \$ 50,221,047 | \$ 3,910,389 | \$ 5,216,249 | \$ 48,915,187 | \$ 10,041,616 |

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers, and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

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 defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2009:

| | |
|---------------------------------------|--------|
| Public Employees Retirement Fund | |
| Basic Plan members | 11.78% |
| Coordinated Plan members | 6.75 |
| Public Employees Police and Fire Fund | 14.10 |
| Public Employees Correctional Fund | 8.75 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---------------------------------------|-------------|-------------|-------------|
| Public Employees Retirement Fund | \$ 981,327 | \$ 917,275 | \$ 855,178 |
| Public Employees Police and Fire Fund | 390,297 | 340,723 | 292,402 |
| Public Employees Correctional Fund | 98,824 | 92,251 | 88,751 |

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

B. Defined Contribution Plan

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2009, were:

| | Employee | Employer |
|-------------------------------|----------|----------|
| Contribution amount | \$ 9,513 | \$ 9,513 |
| Percentage of covered payroll | 5% | 5% |

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

Chisago County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical, dental, and life insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. A separate, audited GAAP-basis benefits plan report is not issued. The activity of the plan is reported in the government-wide financial statements.

The contribution requirements of the plan members and the County are established and may be amended by the Chisago County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2009, there were approximately 400 participants in the plan, including 39 retirees and 5 retirees' spouses.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2009, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

| | | |
|---|----|-----------|
| ARC | \$ | 439,993 |
| Interest on net OPEB obligation | | - |
| Adjustment to ARC | | - |
| | | - |
| Annual OPEB cost (expense) | \$ | 439,993 |
| Contributions made during the year | | (122,272) |
| | | - |
| Increase in net OPEB obligation | \$ | 317,721 |
| Net OPEB Obligation - Beginning of Year | | 354,634 |
| | | - |
| Net OPEB Obligation - End of Year | \$ | 672,355 |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2009 were as follows:

| <u>Fiscal Year-End</u> | <u>Annual OPEB Cost</u> | <u>Employer Contribution</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------|-----------------------------|----------------------------------|---|--------------------------------|
| December 31, 2008 | \$ 439,993 | \$ 85,359 | 19.4% | \$ 354,634 |
| December 31, 2009 | 439,993 | 122,272 | 27.8 | 672,355 |

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,633,579, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,633,579. The covered payroll (annual payroll of active employees covered by the plan) was \$16,882,667, and the ratio of the UAAL to the covered payroll was 15.6 percent.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

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

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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Chisago County's implicit rate of return on the General Fund. The annual health care cost trend is 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 8 years. Both rates included a 2.5 percent inflation assumption. The dental trend rate is 4.0 percent. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2009, was 28 years.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management

Chisago County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$430,000 per claim in 2009 and \$450,000 per claim in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

In 2001, Chisago County began to self-insure for employee dental coverage. The County contracts with Delta Dental to administer the County's self-insured dental benefit claims. Delta Dental processes all benefit claims and charges the County an administrative fee. The County maintains a self-insurance account within the General Fund and pays all claims as incurred. For 2009, the County collected premiums of \$265,300 from County departments. For 2009, claims and administrative costs paid were \$298,051.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

Changes in the claims liability for the past two years are:

| | Year Ended December 31 | |
|----------------------------------|------------------------|-----------|
| | 2009 | 2008 |
| Asset (Liability) at January 1 | \$ 22,348 | \$ 30,593 |
| Current year premiums | 265,300 | 276,858 |
| Claims payments | (298,051) | (285,103) |
| Asset (Liability) at December 31 | \$ (10,403) | \$ 22,348 |

B. Contingent Liabilities

Amounts received or receivable from grantor 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 of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial. The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Joint Ventures

Chisago Lakes Joint Sewage Treatment Commission

Chisago County and the cities of Lindstrom, Chisago City, and Center City entered into a joint powers agreement to create and operate the Chisago Lakes Joint Sewage Treatment Commission, pursuant to Minn. Stat. § 471.59. The Sewage Treatment Commission provides sewage treatment for the above communities. Chisago County's share of the Sewage Treatment Commission is 8.8 percent.

The Commission's annual financial report shows total net assets of \$8,943,562 as of December 31, 2009.

Complete financial statements of the Chisago Lakes Joint Sewage Treatment Commission can be obtained at Box 313, Center City, Minnesota 55012.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

East Central Solid Waste Commission

The East Central Solid Waste Commission was established in March 1988 by a joint powers agreement among Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to conduct a solid waste management program on behalf of the participating counties. The Commission is an organized joint venture having the powers, duties, and privileges granted joint powers by Minn. Stat. § 471.59. The Commission has five voting members, one from each county. At its annual meeting, the Board of County Commissioners of each county chooses a member and an alternate, both County Commissioners, as representatives of the county. Each county has one voting member and, in the absence of the voting member, the alternate votes.

Each county's proportionate share of the total operating costs is based on the most recent census data available and is to be adjusted upon the admission of additional counties or the withdrawal of present counties. The Commission will remain in existence so long as two or more of the counties remain as parties to the agreement. Upon dissolution of the Commission, there will be an accounting to determine assets and liabilities. The assets of the Commission will be liquidated and, after payment of liabilities, the proceeds will be distributed to the counties based on their respective ratios set by the most recent census data.

Each county's share of the Commission's assets, liabilities, and equities cannot be accurately determined since it will fluctuate with census data rather than ownership interest. Following is a summary of the financial information as of and for the year ended December 31, 2008 (most recent figures available):

| | |
|-------------------------------------|----------------------|
| Total Assets | \$ 13,575,333 |
| Total Liabilities | <u>3,341,378</u> |
| Total Net Assets | <u>\$ 10,233,955</u> |
| Operating and nonoperating revenues | \$ 5,279,202 |
| Operating and nonoperating expenses | <u>5,292,652</u> |
| Change in Net Assets | <u>\$ (13,450)</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

East Central Solid Waste Commission (Continued)

Complete financial statements of the East Central Solid Waste Commission can be obtained at 1756 - 180th Avenue, Mora, Minnesota 55051.

East Central Regional Library

The East Central Regional Library was established by a joint powers agreement among Aitkin, Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to provide an efficient and improved regional public library service. The Library's Board comprises 18 members--one County Board member and two appointees from each county. The Library's financial statements for the year ended December 31, 2009, show total assets of \$1,248,656, total liabilities of \$405,229, and total net assets of \$843,427.

Complete financial statements of the East Central Regional Library can be obtained at 244 South Birch, Cambridge, Minnesota 55008.

D. Subsequent Events

On April 7, 2010, the County Board approved the issuance of General Obligation Temporary Bonds, Series 2010A, in the amount of \$4,870,000. The bond proceeds are for the purpose of retiring the County's Series 2007B General Obligation Temporary (Jail) Bonds.

On July 21, 2010, the County Board approved the issuance of Taxable General Obligation Capital Improvement Plan Bonds, Series 2010B, (Build America Bonds-Direct Pay) in the amount of \$7,000,000. The bond proceeds are for road construction projects pursuant to the 2010-2015 Capital Improvement Plan adopted June 16, 2010.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Reporting Entity

The Chisago County Housing and Redevelopment Authority was established in 1988 with the powers, duties, and privileges granted by Minn. Stat. ch. 469. In 2000, the Authority adopted economic development powers, as granted by Minn. Stat. ch. 469, and changed its name to the Chisago County Housing and Redevelopment Authority Economic Development Authority (the HRA-EDA).

The HRA-EDA is governed by a five-member Board of Commissioners (the Board) appointed by the Chisago County (the County) Board of Commissioners. The Treasurer of the HRA-EDA is appointed by the County Board of Commissioners for an indefinite term. The Executive Director of the HRA-EDA is appointed by the HRA-EDA Board for an indefinite term.

The HRA-EDA has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the HRA-EDA are such that exclusion would cause the HRA-EDA's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization; or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the primary government. The HRA-EDA has no component units. However, the HRA-EDA is reported as a component unit in the County's financial statements.

2. Measurement Focus, Basis of Accounting, and Basis of Presentation

The HRA-EDA is considered a single enterprise fund for financial reporting purposes. The activities of the HRA-EDA are recorded under various programs established for the administration of the HRA-EDA's programs. For the most part, the effect of inter-program activity has been removed from the statements of net assets and the statements of revenues, expenses, and changes in net assets. The HRA-EDA's basic financial statements have been prepared on the basis of the governmental proprietary fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

2. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

through tenant rentals and user charges. The HRA-EDA's basic financial statements are presented on the accrual basis of accounting. The HRA-EDA applies all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In accordance with GASB Statement 20, the HRA-EDA does not apply all FASB Statements and Interpretations issued after November 30, 1989.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the HRA-EDA receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the HRA-EDA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the HRA-EDA on a reimbursement basis.

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

2. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

of proprietary funds are tenant rent and HRA-EDA contributions. Operating expenses for proprietary funds include the cost of housing assistance payments, utilities, sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

3. Assets, Liabilities, and Net Assets

Deposits and Investments

The HRA-EDA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The HRA-EDA may invest idle funds as authorized by Minnesota statutes as follows:

- a. direct obligations or obligations guaranteed by the United States or its agencies;
- b. shares of investment companies registered under the Federal Investment Company Act of 1940 and receiving the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and having a final maturity of 13 months or less;
- c. general obligations of a state or local government with taxing powers rated "A" or better, or revenue obligations rated "AA" or better;
- d. general obligations of the Minnesota Housing Finance Agency rated "A" or better;

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Net Assets

Deposits and Investments (Continued)

- e. bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;
- f. commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less;
- g. repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers; and
- h. guaranteed investment contracts (GICs) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments are stated at fair value.

Property Taxes

The HRA-EDA Board annually adopts a levy and certifies it to the County for collection. The County is responsible for collecting all property taxes for the HRA-EDA. Real property taxes are paid by taxpayers of the County in two equal installments on May 15 and October 15. The County provides tax settlements to the HRA-EDA three times per year in January, July, and December.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Net Assets

Property Taxes (Continued)

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the HRA-EDA by the state in lieu of taxes levied against homestead property. The state remits this credit in October and December of each year.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year-end.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the HRA-EDA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Net Assets

Capital Assets (Continued)

Property, plant, and equipment of the HRA-EDA are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 40 - 50 |
| Furniture and equipment | 3 - 10 |
| Improvements | 5 - 20 |

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Compensated Absences

The HRA-EDA reports all earned but unpaid compensated absences as a current and noncurrent liability on the statement of net assets. The HRA-EDA records an expense to reflect the change in compensated absences earned and used during the year.

Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures (Continued)

B. Detailed Notes on all Funds

1. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the HRA-EDA's deposits may not be returned, or the HRA-EDA will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board, the HRA-EDA maintains deposits at those depository banks that are members of the Federal Reserve System.

Minnesota statutes require that all HRA-EDA deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, and Treasury bonds;
- issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- general obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- time deposits that are fully insured by any federal agency.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

1. Deposits and Investments

Deposits (Continued)

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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. The selection should be approved by the government entity.

At December 31, 2009, the HRA-EDA's carrying amount of deposits was \$1,065,042, and the bank balance was \$1,179,996, all of which was covered by federal depository insurance and by collateral held by the HRA-EDA's agent in the HRA-EDA's name.

Investments

As of December 31, 2009, the HRA-EDA had the following investments:

| <u>Types of Investments</u> | <u>Credit Quality/ Rating (1)</u> | <u>Segmented Time Distribution (2)</u> | <u>Fair Value and Carrying Amount</u> |
|---|---------------------------------------|--|---|
| Non-pooled investments | | | |
| First American Treasury Obligations Fund | AAA | Less than 6 months | <u>\$ 566,276</u> |

(1) Ratings are provided by Moody's credit rating agency where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

1. Deposits and Investments

Investments (Continued)

A reconciliation of cash and temporary investments as shown on the statement of net assets as of December 31, 2009, for the HRA-EDA follows:

| | |
|---------------------------------|---------------------|
| Carrying amount of deposits | \$ 1,065,042 |
| Investments | 566,276 |
| Cash on hand | <u>28</u> |
| Total | <u>\$ 1,631,346</u> |
| | |
| Cash and investments | |
| Cash - unrestricted | \$ 1,013,883 |
| Cash with escrow agent | 566,276 |
| Cash - tenant security deposits | <u>51,187</u> |
| Total | <u>\$ 1,631,346</u> |

The investments are subject to the following risks:

- **Credit Risk.** The risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings provided by various credit rating agencies where applicable indicate associated credit risk. Minnesota statutes limit the HRA-EDA's investments to the list in Note 6.A.3.
- **Custodial Credit Risk.** 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 which are in the possession of an outside party. The HRA-EDA's investment policy limits exposure to custodial credit risk by limiting investments to only those listed under Minnesota statutes.
- **Concentration of Credit Risk.** The risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with its investment policy, the HRA-EDA minimizes concentration of credit risk by making investments which shall suggest diversification.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

1. Deposits and Investments

Investments (Continued)

- Interest Rate Risk. The risk that changes in interest rates will adversely affect the fair value of an investment. Using the segmented time distribution method, the interest rate risk of the HRA-EDA's investments is less than six months.

2. Receivables

Lease Receivable

The HRA-EDA entered into a capital lease agreement with the County for public projects. The lease receivable is based on the 2004A Public Project Revenue Bond. The receivable is reduced by the amount of cash with escrow agent. The following is a schedule of future lease receivable payments.

| Year Ending December 31 | Lease Receivable | | |
|-------------------------------------|------------------|--------------|--------------|
| | Principal | Interest | Total |
| 2010 | \$ 245,000 | \$ 281,759 | \$ 526,759 |
| 2011 | 255,000 | 271,447 | 526,447 |
| 2012 | 270,000 | 260,585 | 530,585 |
| 2013 | 280,000 | 249,101 | 529,101 |
| 2014 | 295,000 | 236,733 | 531,733 |
| 2015 - 2019 | 1,690,000 | 962,149 | 2,652,149 |
| 2020 - 2024 | 2,180,000 | 485,959 | 2,665,959 |
| 2025 - 2026 | 775,000 | 33,604 | 808,604 |
| Total | \$ 5,990,000 | \$ 2,781,337 | \$ 8,771,337 |
| Less: cash with escrow agent | (566,276) | | |
| Lease Receivable, December 31, 2009 | \$ 5,423,724 | | |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

2. Receivables (Continued)

Accounts Receivable/Due from Other Governments

As of December 31, 2009, the HRA-EDA had \$10,670 due from other governments consisting of \$9,970 from Chisago County for taxes and \$700 due from various other local governments. Accounts receivable at year-end were \$3,521.

3. Capital Assets

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

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--|----------------------|--------------|----------|-------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 243,181 | \$ - | \$ - | \$ 243,181 |
| Capital assets depreciated | | | | |
| Buildings | \$ 6,262,499 | \$ - | \$ - | \$ 6,262,499 |
| Furniture, equipment, and machinery | 27,931 | - | - | 27,931 |
| Improvements | 79,949 | - | - | 79,949 |
| Total capital assets depreciated | \$ 6,370,379 | \$ - | \$ - | \$ 6,370,379 |
| Less: accumulated depreciation for | | | | |
| Buildings | \$ 671,225 | \$ 137,674 | \$ - | \$ 808,899 |
| Furniture, equipment, and machinery | 17,806 | 3,179 | - | 20,985 |
| Improvements | 18,375 | 11,262 | - | 29,637 |
| Total accumulated depreciation | \$ 707,406 | \$ 152,115 | \$ - | \$ 859,521 |
| Total capital assets depreciated, net | \$ 5,662,973 | \$ (152,115) | \$ - | \$ 5,510,858 |
| Total Capital Assets, Net | \$ 5,906,154 | \$ (152,115) | \$ - | \$ 5,754,039 |

Depreciation expense was charged as follows:

| | |
|----------------------------------|-------------------|
| Housing and Economic Development | <u>\$ 152,115</u> |
|----------------------------------|-------------------|

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds (Continued)

4. Long-Term Debt

General Obligation Bonds

General obligation bonds outstanding as of December 31, 2009, are as follows:

| Description | Authorized and Issued | Interest Rate (%) | Issue Date | Maturity Date | Ending Balance |
|---|--------------------------|-------------------------|---------------|------------------|----------------------|
| G.O. Housing Development Bonds, Series 2005A | \$ 2,445,000 | 3.50 - 4.38 | 08/03/2005 | 01/01/2035 | \$ 2,185,000 |
| G.O. Public Project Revenue Bonds Library Lease Obligation, Series 2004A | 6,740,000 | 4.13 - 5.15 | 08/01/2004 | 02/01/2026 | 5,990,000 |
| G.O. Housing Development Bonds, Series 2003C | 2,000,000 | 4.00 - 5.00 | 09/01/2003 | 01/01/2033 | 1,855,000 |
| Total General Obligation Bonds | | | | | <u>\$ 10,030,000</u> |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending December 31 | G.O. Bonds Business-Type Activities | | |
|----------------------------|--|---------------------|----------------------|
| | Principal | Interest | Total |
| 2010 | \$ 245,000 | \$ 371,373 | \$ 616,373 |
| 2011 | 375,000 | 448,462 | 823,462 |
| 2012 | 395,000 | 432,988 | 827,988 |
| 2013 | 410,000 | 416,555 | 826,555 |
| 2014 | 430,000 | 398,991 | 828,991 |
| 2015 - 2019 | 2,475,000 | 1,681,701 | 4,156,701 |
| 2020 - 2024 | 3,150,000 | 1,018,511 | 4,168,511 |
| 2025 - 2029 | 1,690,000 | 336,101 | 2,026,101 |
| 2030 - 2034 | 795,000 | 99,328 | 894,328 |
| 2035 | 65,000 | 1,422 | 66,422 |
| Total | <u>\$ 10,030,000</u> | <u>\$ 5,205,432</u> | <u>\$ 15,235,432</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

4. Long-Term Debt (Continued)

Taxable Revenue Bonds

Taxable revenue bonds outstanding as of December 31, 2009, are as follows:

| Description | Authorized and Issued | Interest Rate (%) | Issue Date | Maturity Date | Ending Balance |
|---|--------------------------|-------------------------|---------------|------------------|---------------------|
| G.O. Taxable Revenue Bonds, Series 2006A | \$ 1,200,000 | 7.75 | 11/28/2006 | 01/01/2017 | <u>\$ 1,125,911</u> |

Annual debt service requirements to maturity for taxable revenue bonds are as follows:

| Year Ending December 31 | Taxable Revenue Bonds Business-Type Activities | | |
|----------------------------|---|-------------------|---------------------|
| | Principal | Interest | Total |
| 2010 | \$ 15,634 | \$ 43,871 | \$ 59,505 |
| 2011 | 32,374 | 86,637 | 119,011 |
| 2012 | 34,739 | 84,271 | 119,010 |
| 2013 | 37,751 | 81,260 | 119,011 |
| 2014 | 40,775 | 78,235 | 119,010 |
| 2015 - 2017 | <u>964,638</u> | <u>181,190</u> | <u>1,145,828</u> |
| Total | <u>\$ 1,125,911</u> | <u>\$ 555,464</u> | <u>\$ 1,681,375</u> |

In 2008, the HRA-EDA authorized the issuance of Taxable Housing Revenue Bonds, Series 2008, in the amount of \$300,000. As of December 31, 2009, no amount had been issued.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

4. Long-Term Debt (Continued)

Notes Payable

In 2006, the HRA-EDA entered into an interest-only loan with Chisago County. The note payable outstanding as of December 31, 2009, is as follows:

| Description | Authorized and Issued | Interest Rate (%) | Issue Date | Maturity Date | Ending Balance |
|--------------------------------|--------------------------|-------------------------|---------------|------------------|---------------------|
| Chisago County Promissory Note | \$ 1,000,000 | 3.75 | 11/28/2006 | 11/28/2026 | <u>\$ 1,000,000</u> |

Annual debt service requirements to maturity for the note payable are as follows:

| Year Ending December 31 | Notes Payable Business-Type Activities | | |
|----------------------------|---|-------------------|---------------------|
| | Principal | Interest | Total |
| 2010 | \$ - | \$ 37,500 | \$ 37,500 |
| 2011 | - | 37,500 | 37,500 |
| 2012 | - | 37,500 | 37,500 |
| 2013 | - | 37,500 | 37,500 |
| 2014 | - | 37,500 | 37,500 |
| 2015 - 2019 | - | 187,500 | 187,500 |
| 2020 - 2024 | - | 187,500 | 187,500 |
| 2025 - 2026 | 1,000,000 | 75,000 | 1,075,000 |
| Total | <u>\$ 1,000,000</u> | <u>\$ 637,500</u> | <u>\$ 1,637,500</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

4. Long-Term Debt (Continued)

Mortgages Payable

In 2007, the HRA-EDA assumed three mortgages through the acquisition of Rush Estates I and Rush Estates II, payable to the United States Department of Agriculture, Rural Development. Principal and interest payments are determined based on the rental income and government subsidy received during the year. Information on the mortgages as of December 31, 2009, is as follows:

| Description | Authorized and Issued | Interest Rate (%) | Issue Date | Maturity Date | Ending Balance |
|---|--------------------------|-------------------------|---------------|------------------|-------------------|
| United States Department of Agriculture, Rural Development | | | | | |
| Mortgage 01 | \$ 205,801 | 7.125 | 07/07/2000 | 07/07/2030 | \$ 180,740 |
| Mortgage 02 | 45,896 | 3.000 | 03/05/2068 | 03/05/2018 | 24,545 |
| Mortgage 03 | 382,434 | 7.250 | 06/30/2093 | 06/30/2043 | 358,554 |
| Total Mortgages Payable | | | | | <u>\$ 563,839</u> |

Annual estimated debt service requirements to maturity for the mortgages payable are as follows:

| Year Ending December 31 | Mortgages Payable Business-Type Activities | | |
|----------------------------|---|-------------------|---------------------|
| | Principal | Interest | Total |
| 2010 | \$ 9,168 | \$ 39,358 | \$ 48,526 |
| 2011 | 9,867 | 38,785 | 48,652 |
| 2012 | 10,479 | 38,173 | 48,652 |
| 2013 | 11,133 | 37,520 | 48,653 |
| 2014 | 11,831 | 36,822 | 48,653 |
| 2015 - 2019 | 65,403 | 171,984 | 237,387 |
| 2020 - 2024 | 78,641 | 147,809 | 226,450 |
| 2025 - 2029 | 112,457 | 113,993 | 226,450 |
| 2030 - 2034 | 74,215 | 78,306 | 152,521 |
| 2035 - 2039 | 92,670 | 49,971 | 142,641 |
| 2040 - 2043 | 87,975 | 11,888 | 99,863 |
| Total | <u>\$ 563,839</u> | <u>\$ 764,609</u> | <u>\$ 1,328,448</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

4. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------|----------------------|------------------|-------------------|----------------------|------------------------|
| General obligation bonds | \$ 10,385,000 | \$ - | \$ 355,000 | \$ 10,030,000 | \$ 245,000 |
| Taxable revenue bonds | 1,154,759 | - | 28,848 | 1,125,911 | 15,634 |
| Notes payable | 1,000,000 | - | - | 1,000,000 | - |
| Mortgages payable | 572,597 | - | 8,758 | 563,839 | 9,168 |
| Compensated absences | 35,517 | 20,640 | 14,570 | 41,587 | 20,794 |
| Less: discount | (246,716) | - | (10,393) | (236,323) | (10,392) |
| Total | <u>\$ 12,901,157</u> | <u>\$ 20,640</u> | <u>\$ 396,783</u> | <u>\$ 12,525,014</u> | <u>\$ 280,204</u> |

C. Other Information

Risk Management

The HRA-EDA is exposed to various risks of loss including general liability, property damage, and employee bodily injury, and carries commercial insurance. The insurance coverage is considered to be adequate to cover unexpected claims against the HRA-EDA. There was no reduction in coverage from the prior year, and settlements have not exceeded insurance coverage in the past three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNR). The HRA-EDA's management is not aware of any IBNR claims.

Retirement Plan

HRA-EDA employees participate in a Simplified Employee Pension plan, a defined contribution plan established under Section 408(k) of the Internal Revenue Code. The plan is administered by Union Bank and Trust Company.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

C. Other Information

Retirement Plan (Continued)

The HRA-EDA establishes plan provisions and contribution requirements. Employees are eligible to participate when they have been employed for six months and are at least 18 years of age. The HRA-EDA is required to contribute five percent of each participant's salary, and the employee may elect to contribute up to five percent. HRA-EDA contributions fully vest after three years of employment. Benefits depend solely on amounts contributed plus related investment earnings.

Total payroll for employees covered by the Plan for the year ended December 31, 2009, was \$122,845. The HRA-EDA made contributions into the Plan of \$6,142, \$6,102, and \$5,873 for the years ended December 31, 2009, 2008, and 2007, respectively.

As of December 31, 2009, the Plan held no securities issued by the HRA-EDA or other related parties.

Commitments and Contingencies - Joint Agreements

The HRA-EDA partnered with the City of Rush City to build two additional townhomes (total of four units--two units completed, two units framed and foundation work completed). There is a potential for a total of 18 townhomes on the site in Rush City. The HRA-EDA is financing the units and is to be reimbursed upon the sale. The City owns the lots and will be reimbursed upon sale. Three units were sold in 2007, no units were sold in 2008, and one unit was sold in 2009. The HRA-EDA Board approved a \$300,000 bond in December 2007 to finance the construction of the additional townhomes. The bond was finalized in 2008 and, as of December 31, 2009, there has been no draws on these funds.

Related Parties

The HRA-EDA multi-family apartment buildings are insured with Stein Insurance Agency, which is owned and operated by the Board Chair, James Stein. He has abstained from discussion and voting on any action related to the placement of insurance for the multi-family apartment buildings.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

C. Other Information

Related Parties (Continued)

The HRA-EDA currently has bonds placed with Central Bank where Greg Hickcox, Board Director, is Vice President. He abstains from voting on any actions related to the bonds.

The HRA-EDA maintains financial accounts at The Patriot Bank. Dave Boniface, Board Director, has an interest in the bank and will abstain from any action relating to investments with the bank.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 1

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2009

Other Postemployment Benefits Funding Status

Beginning in 2008, Chisago County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets is zero. Currently, only one year's worth of data is available. Future reports will provide additional trend analysis to meet the three actuarial valuation funding status requirement as the information becomes available.

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|-----------------------------|--|--|--|--------------------------|---------------------------|---|
| January 1, 2008 | \$ - | \$ 2,633,579 | \$ 2,633,579 | 0.00% | \$ 16,882,667 | 15.6% |

See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

This page was left blank intentionally.

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

County Building - to account for repairs and improvements to County buildings. Financing is provided by property taxes.

Parks - to account for the accumulation of plat fees for future park land acquisition. Financing is provided by charges for services.

Ditch - to account for funds used to maintain County and judicial ditches. Financing is provided by special assessments against parcels of property benefited by ditch maintenance.

Lake Improvement District - to account for funds used for lake improvements. Financing is provided by bonds and special assessments against parcels of property benefited by the program.

Nursing Home - to account for funds used to make capital improvements to the Green Acres Nursing Home. Financing is provided through lease payments received from Ebenezer Social Ministry.

Solid Waste - to account for funds used for recycling and solid waste activities. Financing is provided by user fees against benefiting parcels of property and taxes levied when needed.

Capital Equipment - to account for the acquisition of certain equipment which is financed through the tax levy.

Forfeited Tax Sale - to account for all funds collected per state statute from sale of lands forfeited for unpaid taxes.

Capital Projects Fund

Library - to account for the construction of three new library buildings.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

| | <u>Special</u> | | |
|---|----------------------------|--------------------------|--------------------------|
| | <u>County Building</u> | <u>Parks</u> | <u>Ditch</u> |
| <u>Assets</u> | | | |
| Cash and pooled investments | \$ 285,523 | \$ 633,766 | \$ 107,074 |
| Undistributed cash in agency funds | 1,202 | - | 275 |
| Taxes receivable | | | |
| Prior | 4,598 | - | - |
| Special assessments receivable | | | |
| Prior | - | - | 501 |
| Noncurrent | - | - | - |
| Accounts receivable | - | - | - |
| Due from other governments | - | - | - |
| Prepaid items | - | - | - |
| Total Assets | <u>\$ 291,323</u> | <u>\$ 633,766</u> | <u>\$ 107,850</u> |
| <u>Liabilities and Fund Balances</u> | | | |
| Liabilities | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Salaries payable | - | - | - |
| Due to other governments | - | - | - |
| Deferred revenue - unavailable | 3,850 | - | 501 |
| Deferred revenue - unearned | - | - | - |
| Total Liabilities | <u>\$ 3,850</u> | <u>\$ -</u> | <u>\$ 501</u> |
| Fund Balances | | | |
| Unreserved | | | |
| Designated for subsequent year's expenditures | \$ 285,000 | \$ 633,000 | \$ 107,000 |
| Designated for cash flows | - | - | - |
| Undesignated | 2,473 | 766 | 349 |
| Total Fund Balances | <u>\$ 287,473</u> | <u>\$ 633,766</u> | <u>\$ 107,349</u> |
| Total Liabilities and Fund Balances | <u>\$ 291,323</u> | <u>\$ 633,766</u> | <u>\$ 107,850</u> |

Statement 1

| Revenue Funds | | | | |
|--|------------------------|------------------------------|-------------------------------|---------------------|
| Lake Improvement District | Solid Waste | Capital Equipment | Forfeited Tax Sale | Total |
| \$ 723,968 | \$ 1,054,681 | \$ 2,075,876 | \$ 7,199 | \$ 4,888,087 |
| 3,363 | 5,732 | 19,324 | - | 29,896 |
| 9,665 | - | 76,847 | - | 91,110 |
| - | 23,918 | - | - | 24,419 |
| 15,925 | - | - | - | 15,925 |
| - | - | 114 | - | 114 |
| - | 2,100 | 6,000 | - | 8,100 |
| - | 250 | - | - | 250 |
| \$ 752,921 | \$ 1,086,681 | \$ 2,178,161 | \$ 7,199 | \$ 5,057,901 |
| \$ 20,164 | \$ 16,947 | \$ - | \$ - | \$ 37,111 |
| 129 | 1,328 | - | - | 1,457 |
| 17 | 2,077 | - | 7,199 | 9,293 |
| 7,573 | 23,919 | 64,827 | - | 100,670 |
| 15,925 | - | - | - | 15,925 |
| \$ 43,808 | \$ 44,271 | \$ 64,827 | \$ 7,199 | \$ 164,456 |
| \$ 709,113 | \$ 1,042,410 | \$ 843,713 | \$ - | \$ 3,620,236 |
| - | - | 1,100,000 | - | 1,100,000 |
| - | - | 169,621 | - | 173,209 |
| \$ 709,113 | \$ 1,042,410 | \$ 2,113,334 | \$ - | \$ 4,893,445 |
| \$ 752,921 | \$ 1,086,681 | \$ 2,178,161 | \$ 7,199 | \$ 5,057,901 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

| | <u>County Building</u> | <u>Parks</u> | <u>Ditch</u> | <u>Special Lake Improvement District</u> |
|---|----------------------------|-------------------|-------------------|--|
| Revenues | | | | |
| Taxes | \$ 74,700 | \$ - | \$ - | \$ 239,454 |
| Special assessments | - | - | 9,592 | - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | 4,495 | - | - | 10,600 |
| Charges for services | - | 27,200 | - | - |
| Miscellaneous | 1,843 | - | - | 421 |
| Total Revenues | \$ 81,038 | \$ 27,200 | \$ 9,592 | \$ 250,475 |
| Expenditures | | | | |
| Current | | | | |
| General government | \$ - | \$ - | \$ - | \$ - |
| Sanitation | - | - | - | - |
| Health | - | - | - | - |
| Conservation of natural resources | - | - | 17,847 | 278,494 |
| Capital outlay | 65,151 | 20,000 | - | - |
| Total Expenditures | \$ 65,151 | \$ 20,000 | \$ 17,847 | \$ 278,494 |
| Excess of Revenues Over (Under) Expenditures | \$ 15,887 | \$ 7,200 | \$ (8,255) | \$ (28,019) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ 35,403 | \$ - | \$ - | \$ - |
| Transfers out | - | - | - | (500) |
| Proceeds from the sale of capital assets | - | - | - | - |
| Total Other Financing Sources (Uses) | \$ 35,403 | \$ - | \$ - | \$ (500) |
| Net Change in Fund Balance | \$ 51,290 | \$ 7,200 | \$ (8,255) | \$ (28,519) |
| Fund Balance - January 1 | 236,183 | 626,566 | 115,604 | 737,632 |
| Fund Balance - December 31 | \$ 287,473 | \$ 633,766 | \$ 107,349 | \$ 709,113 |

Statement 2

| Revenue Funds | | | | Library Capital Projects Fund | Total |
|-------------------------|------------------------|------------------------------|-------------------------------|--|-----------------------|
| Nursing Home | Solid Waste | Capital Equipment | Forfeited Tax Sale | | |
| \$ - | \$ - | \$ 1,186,969 | \$ - | \$ - | \$ 1,501,123 |
| - | 244,110 | - | - | - | 253,702 |
| - | 8,720 | - | - | - | 8,720 |
| - | 162,214 | 184,655 | - | - | 361,964 |
| - | 19,420 | - | - | - | 46,620 |
| - | 56,275 | - | - | 69,334 | 127,873 |
| \$ - | \$ 490,739 | \$ 1,371,624 | \$ - | \$ 69,334 | \$ 2,300,002 |
| \$ - | \$ - | \$ - | \$ 5,380 | \$ - | \$ 5,380 |
| - | 362,716 | - | - | - | 362,716 |
| 20,520 | - | - | - | - | 20,520 |
| - | - | - | - | - | 296,341 |
| - | - | 320,760 | - | 69,334 | 475,245 |
| \$ 20,520 | \$ 362,716 | \$ 320,760 | \$ 5,380 | \$ 69,334 | \$ 1,160,202 |
| \$ (20,520) | \$ 128,023 | \$ 1,050,864 | \$ (5,380) | \$ - | \$ 1,139,800 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 35,403 |
| (35,403) | (68,500) | (1,299,161) | - | - | (1,403,564) |
| - | - | 3,036 | - | - | 3,036 |
| \$ (35,403) | \$ (68,500) | \$ (1,296,125) | \$ - | \$ - | \$ (1,365,125) |
| \$ (55,923) | \$ 59,523 | \$ (245,261) | \$ (5,380) | \$ - | \$ (225,325) |
| 55,923 | 982,887 | 2,358,595 | 5,380 | - | 5,118,770 |
| \$ - | \$ 1,042,410 | \$ 2,113,334 | \$ - | \$ - | \$ 4,893,445 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 2

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 80,000 | \$ 80,000 | \$ 74,700 | \$ (5,300) |
| Intergovernmental | - | - | 4,495 | 4,495 |
| Miscellaneous | - | - | 1,843 | 1,843 |
| Total Revenues | \$ 80,000 | \$ 80,000 | \$ 81,038 | \$ 1,038 |
| Expenditures | | | | |
| Capital outlay | | | | |
| General government | \$ 80,000 | \$ 80,000 | \$ 52,668 | \$ 27,332 |
| Public safety | - | - | 2,857 | (2,857) |
| Highways and streets | - | - | 9,626 | (9,626) |
| Total Expenditures | \$ 80,000 | \$ 80,000 | \$ 65,151 | \$ 14,849 |
| Excess of Revenues Over (Under) Expenditures | \$ - | \$ - | \$ 15,887 | \$ 15,887 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 35,403 | 35,403 |
| Net Change in Fund Balance | \$ - | \$ - | \$ 51,290 | \$ 51,290 |
| Fund Balance - January 1 | 236,183 | 236,183 | 236,183 | - |
| Fund Balance - December 31 | \$ 236,183 | \$ 236,183 | \$ 287,473 | \$ 51,290 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 3

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Charges for services | \$ 150,000 | \$ 150,000 | \$ 27,200 | \$ (122,800) |
| Expenditures | | | | |
| Capital outlay | | | | |
| Culture and recreation | 150,000 | 150,000 | 20,000 | 130,000 |
| Net Change in Fund Balance | \$ - | \$ - | \$ 7,200 | \$ 7,200 |
| Fund Balance - January 1 | 626,566 | 626,566 | 626,566 | - |
| Fund Balance - December 31 | \$ 626,566 | \$ 626,566 | \$ 633,766 | \$ 7,200 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 4

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Special assessments | \$ 9,500 | \$ 9,500 | \$ 9,592 | \$ 92 |
| Expenditures | | | | |
| Current | | | | |
| Conservation of natural resources | | | | |
| Ditch | 9,500 | 9,500 | 17,847 | (8,347) |
| Net Change in Fund Balance | \$ - | \$ - | \$ (8,255) | \$ (8,255) |
| Fund Balance - January 1 | <u>115,604</u> | <u>115,604</u> | <u>115,604</u> | <u>-</u> |
| Fund Balance - December 31 | <u>\$ 115,604</u> | <u>\$ 115,604</u> | <u>\$ 107,349</u> | <u>\$ (8,255)</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 5

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 250,000 | \$ 250,000 | \$ 239,454 | \$ (10,546) |
| Intergovernmental | - | - | 10,600 | 10,600 |
| Miscellaneous | - | - | 421 | 421 |
| Total Revenues | \$ 250,000 | \$ 250,000 | \$ 250,475 | \$ 475 |
| Expenditures | | | | |
| Current | | | | |
| Conservation of natural resources | | | | |
| Lake Improvement District | 250,000 | 250,000 | 278,494 | (28,494) |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ - | \$ - | \$ (28,019) | \$ (28,019) |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | - | (500) | (500) |
| Net Change in Fund Balance | \$ - | \$ - | \$ (28,519) | \$ (28,519) |
| Fund Balance - January 1 | 737,632 | 737,632 | 737,632 | - |
| Fund Balance - December 31 | \$ 737,632 | \$ 737,632 | \$ 709,113 | \$ (28,519) |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 6

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Special assessments | \$ 246,801 | \$ 246,801 | \$ 244,110 | \$ (2,691) |
| Licenses and permits | 5,000 | 5,000 | 8,720 | 3,720 |
| Intergovernmental | 144,486 | 144,486 | 162,214 | 17,728 |
| Charges for services | 86,249 | 86,249 | 19,420 | (66,829) |
| Total Revenues | \$ 482,536 | \$ 482,536 | \$ 490,739 | \$ 8,203 |
| Expenditures | | | | |
| Current | | | | |
| Sanitation | | | | |
| Recycling | \$ 149,792 | \$ 149,792 | \$ 107,477 | \$ 42,315 |
| Hazardous waste | 159,995 | 159,995 | 210,633 | (50,638) |
| Other | 74,249 | 74,249 | 44,606 | 29,643 |
| Total Expenditures | \$ 384,036 | \$ 384,036 | \$ 362,716 | \$ 21,320 |
| Excess of Revenues Over (Under) Expenditures | \$ 98,500 | \$ 98,500 | \$ 128,023 | \$ 29,523 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (98,500) | (98,500) | (68,500) | 30,000 |
| Net Change in Fund Balance | \$ - | \$ - | \$ 59,523 | \$ 59,523 |
| Fund Balance - January 1 | 982,887 | 982,887 | 982,887 | - |
| Fund Balance - December 31 | \$ 982,887 | \$ 982,887 | \$ 1,042,410 | \$ 59,523 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 7

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 1,255,000 | \$ 1,255,000 | \$ 1,186,969 | \$ (68,031) |
| Intergovernmental | - | 108,000 | 184,655 | 76,655 |
| Total Revenues | \$ 1,255,000 | \$ 1,363,000 | \$ 1,371,624 | \$ 8,624 |
| Expenditures | | | | |
| Capital outlay | | | | |
| General government | \$ 1,255,000 | \$ 925,159 | \$ 65,450 | \$ 859,709 |
| Public safety | - | 85,000 | 69,723 | 15,277 |
| Highways and streets | - | 124,676 | 65,947 | 58,729 |
| Economic development | - | 123,442 | 119,640 | 3,802 |
| Total Expenditures | \$ 1,255,000 | \$ 1,258,277 | \$ 320,760 | \$ 937,517 |
| Excess of Revenues Over (Under) Expenditures | \$ - | \$ 104,723 | \$ 1,050,864 | \$ 946,141 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | \$ - | \$ (1,239,558) | \$ (1,299,161) | \$ (59,603) |
| Proceeds from the sale of capital assets | - | - | 3,036 | 3,036 |
| Total Other Financing Sources (Uses) | \$ - | \$ (1,239,558) | \$ (1,296,125) | \$ (56,567) |
| Net Change in Fund Balance | \$ - | \$ (1,134,835) | \$ (245,261) | \$ 889,574 |
| Fund Balance - January 1 | 2,358,595 | 2,358,595 | 2,358,595 | - |
| Fund Balance - December 31 | \$ 2,358,595 | \$ 1,223,760 | \$ 2,113,334 | \$ 889,574 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

AGENCY FUNDS

Employee Recognition - to account for vending machine collections to be used for various activities relating to employee recognition.

Flexible Benefits Plan - to account for employee deductions held for certain specific needs of the employees available through this program.

Region 7E - to account for collection and payment of tax monies levied for the Regional Development Commission.

School Districts - to account for collection and payment of taxes due to school districts.

Taxes and Penalties - to account for collection and payment of taxes and penalties to various taxing districts.

Towns and Cities - to account for collection and payment of taxes due to towns and cities.

Agency - to account for collection and payment of various fees and fines for other governments collected by the Recorder, Courts, and Planning and Zoning Departments.

Local Collaboratives - to account for activity of the Chisago County North Family Services Collaborative and the Chisago County South Family Services Collaborative.

This page was left blank intentionally.

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Statement 3

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

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|------------------------------|------------------|-------------------|--------------------------------|
| <u>EMPLOYEE RECOGNITION</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 2,396 | \$ 1,033 | \$ 696 | \$ 2,733 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 2,396 | \$ 1,033 | \$ 696 | \$ 2,733 |
| <u>FLEXIBLE BENEFITS PLAN</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 37,460 | \$ 181,504 | \$ 165,517 | \$ 53,447 |
| <u>Liabilities</u> | | | | |
| Deferred benefits | \$ 37,460 | \$ 181,504 | \$ 165,517 | \$ 53,447 |
| <u>REGION 7E</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ - | \$ 80,902 | \$ 80,902 | \$ - |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ - | \$ 80,902 | \$ 80,902 | \$ - |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Statement 3
(Continued)

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

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---------------------------------------|------------------------------|----------------------|----------------------|--------------------------------|
| <u>SCHOOL DISTRICTS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ - | \$ 16,593,270 | \$ 16,593,270 | \$ - |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ - | \$ 16,593,270 | \$ 16,593,270 | \$ - |
| <u>TAXES AND PENALTIES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 597,966 | \$ 73,798,465 | \$ 73,686,495 | \$ 709,936 |
| <u>Liabilities</u> | | | | |
| Unapportioned taxes | \$ - | \$ 540,510 | \$ 540,510 | \$ - |
| Unapportioned special assessments | - | 6,007 | 6,007 | - |
| Due to other governments | 597,966 | 73,251,948 | 73,139,978 | 709,936 |
| Total Liabilities | \$ 597,966 | \$ 73,798,465 | \$ 73,686,495 | \$ 709,936 |
| <u>TOWNS AND CITIES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ - | \$ 23,925,898 | \$ 23,925,898 | \$ - |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ - | \$ 23,925,898 | \$ 23,925,898 | \$ - |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

***Statement 3
(Continued)***

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

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|------------------------------|----------------------------|----------------------------|--------------------------------|
| <u>AGENCY</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | <u>\$ 294,615</u> | <u>\$ 2,351,240</u> | <u>\$ 2,402,675</u> | <u>\$ 243,180</u> |
| <u>Liabilities</u> | | | | |
| Unapportioned taxes | \$ - | \$ 37,935 | \$ 37,935 | \$ - |
| Due to other governments | <u>294,615</u> | <u>2,313,305</u> | <u>2,364,740</u> | <u>243,180</u> |
| Total Liabilities | <u>\$ 294,615</u> | <u>\$ 2,351,240</u> | <u>\$ 2,402,675</u> | <u>\$ 243,180</u> |
| <u>LOCAL COLLABORATIVES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | <u>\$ 94,805</u> | <u>\$ 90,408</u> | <u>\$ 139,057</u> | <u>\$ 46,156</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | <u>\$ 94,805</u> | <u>\$ 90,408</u> | <u>\$ 139,057</u> | <u>\$ 46,156</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Statement 3
(Continued)

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

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--------------------------------------|------------------------------|------------------------------|------------------------------|--------------------------------|
| <u>TOTAL ALL AGENCY FUNDS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | <u>\$ 1,027,242</u> | <u>\$ 117,022,720</u> | <u>\$ 116,994,510</u> | <u>\$ 1,055,452</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 2,396 | \$ 1,033 | \$ 696 | \$ 2,733 |
| Unapportioned taxes | - | 578,445 | 578,445 | - |
| Unapportioned special assessments | - | 6,007 | 6,007 | - |
| Deferred benefits | 37,460 | 181,504 | 165,517 | 53,447 |
| Due to other governments | 987,386 | 116,255,731 | 116,243,845 | 999,272 |
| Total Liabilities | <u>\$ 1,027,242</u> | <u>\$ 117,022,720</u> | <u>\$ 116,994,510</u> | <u>\$ 1,055,452</u> |

SUPPORTING SCHEDULES

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 8

TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS

| | Taxes Payable in Year | | | | | |
|---|-----------------------|---------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|
| | 2008 | | 2009 | | 2010 | |
| | Amount | Net Tax Capacity Rate (%) | Amount | Net Tax Capacity Rate (%) | Amount | Net Tax Capacity Rate (%) |
| Tax Capacity | | | | | | |
| Real property | \$ 54,952,451 | | \$ 54,984,566 | | \$ 53,186,963 | |
| Personal property | 907,223 | | 789,043 | | 818,933 | |
| Total Tax Capacity | \$ 55,859,674 | | \$ 55,773,609 | | \$ 54,005,896 | |
| Taxes Levied for County Purposes | | | | | | |
| County Revenue | \$ 13,295,124 | 24.233 | \$ 13,277,177 | 24.282 | \$ 14,739,169 | 27.859 |
| Road and Bridge | 5,100,576 | 9.297 | 5,739,650 | 10.497 | 5,787,556 | 10.939 |
| Road and Bridge Bonds | 2,406,130 | 4.366 | 2,979,229 | 5.423 | 3,083,806 | 5.794 |
| Welfare | 6,331,500 | 11.540 | 6,578,428 | 12.031 | 6,010,004 | 11.359 |
| Building Repair | 80,000 | 0.146 | 80,000 | 0.146 | 80,000 | 0.151 |
| Building Repair Bonds | 91,500 | 0.166 | 91,600 | 0.167 | 89,200 | 0.168 |
| Regional Library* | 571,797 | 1.058 | 575,000 | 1.068 | 550,000 | 1.055 |
| Library Bonds | 536,713 | 0.993 | 531,813 | 0.988 | 531,706 | 1.020 |
| Capital Equipment | 1,255,000 | 2.288 | 1,255,000 | 2.295 | 59,603 | 0.113 |
| Jail Capital Projects | - | 0.000 | - | 0.000 | 169,000 | 0.317 |
| Capital Equipment Notes | 212,066 | 0.385 | 212,100 | 0.386 | 211,500 | 0.397 |
| Health and Human Services | | | | | | |
| Building Bonds | 93,019 | 0.169 | 97,670 | 0.178 | 97,670 | 0.184 |
| Total Levy for County Purposes | \$ 29,973,425 | 54.641 | \$ 31,417,667 | 57.461 | \$ 31,409,214 | 59.356 |
| Less Credits Payable by State | 1,536,002 | | 1,574,685 | | 1,596,856 | |
| Net Levy for County Purposes | \$ 28,437,423 | | \$ 29,842,982 | | \$ 29,812,358 | |
| Market Value - Light and Power | | | | | | |
| Transmission lines | \$ 4,625,800 | | \$ 4,535,200 | | \$ 4,467,700 | |
| Distribution lines | 989,600 | | 970,200 | | 955,600 | |
| Total Market Value - Light and Power | \$ 5,615,400 | | \$ 5,505,400 | | \$ 5,423,300 | |
| Tax Capacity - Light and Power | | | | | | |
| Transmission lines | \$ 92,516 | | \$ 90,704 | | \$ 89,354 | |
| Distribution lines | 19,792 | | 19,404 | | 19,112 | |
| Total Tax Capacity - Light and Power | \$ 112,308 | | \$ 110,108 | | \$ 108,466 | |

* Levy applies to selected areas only.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 8
(Continued)

TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS

| | <u>Taxes Payable in Year</u> | | | | | |
|---|------------------------------|--|--------------------------|--|--------------------------|--|
| | <u>2008</u> | | <u>2009</u> | | <u>2010</u> | |
| | <u>Amount</u> | <u>Net Tax Capacity Rate (%)</u> | <u>Amount</u> | <u>Net Tax Capacity Rate (%)</u> | <u>Amount</u> | <u>Net Tax Capacity Rate (%)</u> |
| Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended) | | | | | | |
| Transmission lines - market value | \$ 3,512 | 0.07590 | \$ 3,509 | 0.07738 | \$ 3,551 | 0.07948 |
| Distribution lines - market value | 751 | 0.07590 | 751 | 0.07738 | 760 | 0.07948 |
| Transmission lines - tax capacity | 100,759 | 108.910 | 104,129 | 114.799 | 106,969 | 119.713 |
| Distribution lines - tax capacity | <u>21,555</u> | <u>108.910</u> | <u>22,276</u> | <u>114.799</u> | <u>22,880</u> | <u>119.713</u> |
| Total Light and Power Tax Levies | <u>\$ 126,577</u> | | <u>\$ 130,665</u> | | <u>\$ 134,160</u> | |
| Special Assessments | | | | | | |
| Ditch liens, fees, and assessments | <u>\$ 224,260</u> | | <u>\$ 259,473</u> | | <u>\$ 268,515</u> | |
| Percentage of Tax Collections for All Purposes | 96.47% | | 94.41% | | | |

* Levy applies to selected areas only.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

| | Assets | | | Total |
|-----------------------|-------------------|--------------------------------|---------------|-------------------|
| | Cash | Special Assessments Receivable | | |
| | | Unapportioned | Delinquent | |
| Judicial Ditch | | | | |
| 2 | \$ (33) | \$ - | \$ - | \$ (33) |
| County Ditches | | | | |
| 1 | (395) | - | - | (395) |
| 2 | 8,646 | - | 10 | 8,656 |
| 3 | 3,990 | 8 | 100 | 4,098 |
| 4 | 3,553 | - | - | 3,553 |
| 5 | 32,938 | - | - | 32,938 |
| 6 | 11,604 | 73 | 17 | 11,694 |
| 7 | 9,862 | 15 | 12 | 9,889 |
| 8 | 2,037 | 89 | 8 | 2,134 |
| 9 | 5,975 | 6 | 301 | 6,282 |
| 10 | 23,628 | 5 | 49 | 23,682 |
| 11 | (59) | - | - | (59) |
| 14 | 5,328 | 79 | 4 | 5,411 |
| Total | \$ 107,074 | \$ 275 | \$ 501 | \$ 107,850 |

Schedule 9

| <u>Liabilities</u> <u>Deferred</u> <u>Revenue</u> | <u>Fund Balances</u> | | | <u>Total</u> <u>Liabilities and</u> <u>Fund Balances</u> |
|---|----------------------|---------------------|-------------------|--|
| | <u>Designated</u> | <u>Undesignated</u> | <u>Total</u> | |
| \$ - | \$ - | \$ (33) | \$ (33) | \$ (33) |
| - | - | (395) | (395) | (395) |
| 10 | 8,549 | 97 | 8,646 | 8,656 |
| 100 | 3,998 | - | 3,998 | 4,098 |
| - | 3,509 | 44 | 3,553 | 3,553 |
| - | 32,804 | 134 | 32,938 | 32,938 |
| 17 | 11,550 | 127 | 11,677 | 11,694 |
| 12 | 9,767 | 110 | 9,877 | 9,889 |
| 8 | 2,108 | 18 | 2,126 | 2,134 |
| 301 | 5,981 | - | 5,981 | 6,282 |
| 49 | 23,390 | 243 | 23,633 | 23,682 |
| - | - | (59) | (59) | (59) |
| 4 | 5,344 | 63 | 5,407 | 5,411 |
| <u>\$ 501</u> | <u>\$ 107,000</u> | <u>\$ 349</u> | <u>\$ 107,349</u> | <u>\$ 107,850</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 10

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

Shared Revenue

State

| | | |
|-----------------------------------|----|------------|
| Highway users tax | \$ | 11,144,110 |
| Market value credit | | 1,597,248 |
| Market value credit - mobile home | | 27,601 |
| PERA rate reimbursement | | 48,855 |
| Disparity reduction aid | | 3,935 |
| County program aid | | 1,747,672 |
| Police aid | | 260,483 |
| E-911 | | 125,400 |
| | | 125,400 |

Total shared revenue **\$ 14,955,304**

Reimbursement for Services

State

| | | |
|--|----|-----------|
| Minnesota Department of Trial Courts | \$ | 104,172 |
| Minnesota Department of Human Services | | 1,152,686 |
| | | 1,152,686 |

Total reimbursement for services **\$ 1,256,858**

Payments

Local

| | | |
|---------------------------|----|---------|
| Payments in lieu of taxes | \$ | 596,436 |
| Economic development | | 6,000 |
| | | 6,000 |

Total local payments **\$ 602,436**

Grants

State

| | | |
|--|----|-----------|
| Minnesota Department/Board of | | |
| Agriculture | \$ | 20,000 |
| Corrections | | 289,841 |
| Public Safety | | 66,590 |
| Transportation | | 220,959 |
| Health | | 705,980 |
| Natural Resources | | 55,155 |
| Human Services | | 1,489,684 |
| Trial Courts | | 21,785 |
| Soil and Water Resources | | 51,992 |
| Peace Officer Standards and Training Board | | 15,460 |
| Office of Environmental Assistance | | 123,951 |
| Pollution Control Agency | | 35,727 |
| | | 35,727 |

Total state **\$ 3,097,124**

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**Schedule 10
(Continued)**

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

Grants (Continued)

Federal

| | |
|------------------------------|------------|
| Department of Agriculture | \$ 435,185 |
| Justice | 3,744 |
| Transportation | 801,813 |
| Health and Human Services | 2,959,424 |
| Homeland Security | 69,359 |

Total federal **\$ 4,269,525**

Total state and federal grants **\$ 7,366,649**

Total Intergovernmental Revenue **\$ 24,181,247**

This page was left blank intentionally.

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 11

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

I. SUMMARY OF AUDITOR'S RESULTS

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

| | |
|---|--------------|
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster | |
| State Administrative Matching Grants for SNAP | CFDA #10.561 |
| State Administrative Matching Grants for SNAP - ARRA | CFDA #10.561 |
| Child Support Enforcement Cluster | |
| Child Support Enforcement | CFDA #93.563 |
| Child Support Enforcement - ARRA | CFDA #93.563 |
| Medical Assistance Program | CFDA #93.778 |

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

I. Chisago County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-3 Segregation of Duties

Due to the limited number of office personnel within various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. We noted insufficient segregation of duties in the following County offices/departments: Auditor, Treasurer, Sheriff, Recorder, Environmental Services, Highway Engineer, and Capital Assets. This is not unusual in small departmental situations; 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 point of view.

We recommend that County management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that adequate controls are in place.

Client's Response:

We are aware of this concern, and each office has taken care in their operations. Limited staffing makes total compliance not practical. Please note that changes in the Health and Human Services (2009) to segregate duties have been accomplished.

06-1 Health and Human Services Department - Income Maintenance Division - Operating Procedures and Documentation

For the 2006 audit, we made recommendations for improvement for three internal control weaknesses noted regarding operating procedures and related documentation practices of the Income Maintenance Division in the Health and Human Services Department. Two

of these items have since been resolved; however, we again found that no documentation was being maintained to verify the legitimacy of new vendors created in the County's Integrated Financial System (IFS). It is our understanding that the County plans to begin documenting vendor verifications during 2010.

We again recommend the Income Maintenance Division document the verification process for new vendors created in IFS.

Client's Response:

Beginning January 1, 2010, procedures were in place to ensure that all new vendors created in the County's IFS are verified as to their legitimacy for providing goods and services to the Health and Human Services Department.

07-1 Assessing and Monitoring Internal Controls

County management is responsible for monitoring its internal controls. This requires performing a risk assessment of existing controls over significant functions of the accounting system used to produce financial information for members of the County Board, management, and external financial reporting. The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. Our review this year found this risk assessment process has not been completed.

We recommend that County management implement procedures to document the significant internal controls in its accounting system. We also recommend a formal plan be developed that calls for assessing and monitoring significant internal controls on a regular basis, no less than annually. The assessment of risks should be documented and procedures implemented to address those risks found. Monitoring procedures should be documented to show the results of the review, changes required, and who performed the work.

Client's Response:

The County Auditor's Office is aware of the need to implement and document procedures for internal controls of the accounting system. This has been and is being done on a less formal basis. Chisago County requests assistance from the State Auditor's Office in formalizing this procedure.

ITEM ARISING THIS YEAR

09-1 Segregation of Duties - Payroll

During our review of the County's payroll function, we noted that the two individuals in Human Resources who process payroll also have the ability to change pay rates, add new employees, and make other changes to the payroll system master file. These duties should ideally be segregated. However, if that is not practical, any changes made to the payroll system master file should be monitored on a monthly basis by someone independent of the payroll processing function.

We recommend the County re-evaluate whether payroll processing staff can be segregated from the staff given the ability to make changes to the payroll system master file. If this is not practical, someone independent of the payroll processing function should review payroll edit reports to monitor that all changes made to the payroll system master file were authorized by the County Board.

Client's Response:

Chisago County has a good check and balance system with our current two staff members. In addition, commencing September 2010, an 'Exception Report' will be produced, reviewed, and signed off by the County Administrator. The County Administrator does not have access to the payroll system.

PREVIOUSLY REPORTED ITEM RESOLVED

**Health and Human Services Department - Social Services Division -
Operating Procedures and Documentation (05-3)**

The Social Services Division had no specific process for creating new vendors in the accounting system.

Resolution

A process for creating new vendors is now in place.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

08-1 Contracts

The County is required by Minn. Stat. § 471.425, subd. 4a, in contracts between the County and a prime contractor, to state that the prime contractor must pay subcontractors within ten days of receipt of payment from the County or pay interest at the rate of one and one-half percent per month or any part of a month. The previous audit found the County did not have this wording in its contracts. The County's bid specifications stated the contractor must follow the Minnesota Department of Transportation's Standard Specifications for Construction. Within this manual, section 1701 stated the contractor shall at all times observe and comply with all applicable laws, ordinances, regulations, orders, and decrees. This statute was not specifically mentioned. This year's review found no change to this practice.

We recommend the County add the wording from Minn. Stat. § 471.425, subd. 4a, regarding payment of subcontractors to its bid specifications and contracts.

Client's Response:

Chisago County will add the wording from Minn. Stat. § 471.425, subd. 4a, regarding payment of subcontractors to its bid specifications and contracts effective September 3, 2010.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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
Chisago County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 24, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority (HRA-EDA), the discretely presented component unit, as described in our report on Chisago County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-3, 06-1, 07-1, and 09-1, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Chisago County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 08-1.

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and it is reported for that purpose.

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

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

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 24, 2010

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Board of County Commissioners
Chisago County

Compliance

We have audited the compliance of Chisago County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. Chisago County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 24, 2010. We did not audit the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority discretely presented component unit. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on Chisago County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures

of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 24, 2010

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 12

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

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|---|------------------------------------|--------------------------|
| U.S. Department of Agriculture | | |
| Direct | | |
| Solid Waste Management Grants | 10.762 | \$ 18,536 |
| Passed Through Minnesota Department of Health | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 157,309 |
| Passed Through Minnesota Department of Human Services | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster | | |
| State Administrative Matching Grants for SNAP | 10.561 | 252,730 |
| State Administrative Matching Grants for SNAP -- ARRA | 10.561 | <u>6,610</u> |
| Total U.S. Department of Agriculture | | <u>\$ 435,185</u> |
| U.S. Department of Justice | | |
| Direct | | |
| Bulletproof Vest Partnership Program | 16.607 | <u>\$ 3,744</u> |
| U.S. Department of Transportation | | |
| Passed Through Minnesota Department of Transportation via Isanti County | | |
| Formula Grants for Other Than Urbanized Areas Cluster | | |
| Formula Grants for Other Than Urbanized Areas | 20.509 | \$ 191,976 |
| Formula Grants for Other Than Urbanized Areas -- ARRA | 20.509 | <u>61,450</u> |
| Total U.S. Department of Transportation | | <u>\$ 253,426</u> |
| U.S. Department of Health and Human Services | | |
| Passed Through Minnesota Department of Human Services | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | \$ 494,624 |
| Child Support Enforcement Cluster | | |
| Child Support Enforcement | 93.563 | 968,652 |
| Child Support Enforcement -- ARRA | 93.563 | 130,906 |
| Refugee and Entrant Assistance | 93.566 | 620 |
| Child Care and Development Cluster | | |
| Child Care and Development Block Grant | 93.575 | 15,812 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 11,211 |
| Child Welfare Services - State Grants | 93.645 | 21,684 |
| Foster Care Title IV-E | 93.658 | 62,739 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 12
(Continued)

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

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|---|------------------------------------|-----------------------------------|
| U.S. Department of Health and Human Services | | |
| Passed Through Minnesota Department of Human Services (Continued) | | |
| Social Services Block Grant | 93.667 | 238,682 |
| Child Abuse and Neglect State Grants | 93.669 | 2,321 |
| Chafee Foster Care Independence Program | 93.674 | 15,477 |
| Medical Assistance Program | 93.778 | 820,019 |
| Block Grants for Community Mental Health Services | 93.958 | 26,148 |
| Passed Through Minnesota Department of Health | | |
| Public Health Emergency Preparedness | 93.069 | 58,088 |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | 53,562 |
| Maternal and Child Health Services Block Grant | 93.994 | 38,879 |
| Total U.S. Department of Health and Human Services | | <u>\$ 2,959,424</u> |
| U.S. Department of Homeland Security | | |
| Passed Through Minnesota Department of Public Safety | | |
| Emergency Management Performance Grants | 97.042 | \$ 26,880 |
| Homeland Security Grant Program | 97.067 | 42,479 |
| Total U.S. Department of Homeland Security | | <u>\$ 69,359</u> |
| Total Federal Awards | | <u><u>\$ 3,721,138</u></u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Chisago County. The County's reporting entity is defined in Note 1.A. to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Chisago County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Chisago County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Chisago County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

| | |
|---|----------------------------|
| Federal grant revenue per Schedule of Intergovernmental Revenue | \$ 4,269,525 |
| Expenditures reported in 2008, recognized as revenue in 2009 | |
| Highway Planning and Construction (CFDA #20.205) | <u>(548,387)</u> |
| Expenditures Per Schedule of Expenditures of Federal Awards | <u><u>\$ 3,721,138</u></u> |

5. Subrecipients

The County did not pass any federal money to subrecipients during the year ended December 31, 2009.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. American Recovery and Reinvestment Act

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