

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**CHISAGO COUNTY**  
**CENTER CITY, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2010**

## **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

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**Year Ended December 31, 2010**



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

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**ORGANIZATION  
2010**

Office	Name	Term of Office	
		From	To
<b>Commissioners</b>			
1st District	Lora Walker	January 2009	January 2013
2nd District	Rick Greene <sup>1</sup>	January 2007	January 2011
3rd District	George McMahon	January 2009	January 2013
4th District	Ben Montzka	January 2007	January 2011
5th District	Mike Robinson	January 2009	January 2013
<b>Officers</b>			
<b>Elected</b>			
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
<b>Appointed</b>			
Administrator	John Moosey		Indefinite
Assessor	John Keefe	January 2009	December 2012
Medical Examiner	Lindsey C. Thomas	January 2008	December 2010
Health and Human Services 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 2010	November 2014
Zoning Administrator	Mary Schmitz		Indefinite
<b>Appointed by the State</b>			
Court Administrator	Kathleen Karnowski		Indefinite

<sup>1</sup>Chair

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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, 2010, 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 upon 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 U.S. Office of Management and Budget (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 the 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, 2010, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chisago County's basic financial statements taken as a whole. The combining and individual fund statements and schedules, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, and the other information section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 2011, 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 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

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 21, 2011

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

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010  
(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, 2010. 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 \$126.2 million at the close of 2010. Of this amount, \$6,473,177, or 5.1 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 \$9,411,553 to \$126.2 million, or 8.1 percent.

At the close of 2010, Chisago County's governmental funds reported combined ending fund balances of \$46,227,932, an increase of \$14,648,001 from the previous year-end balance. At the end of the year, Chisago County's unreserved fund balance totaled \$26,121,241, which is available for spending at the County Board's discretion.

At the close of 2010, unreserved fund balance for the General Fund was \$9,752,649, or 44.7 percent, of total General Fund expenditures. The unreserved fund balance for the Human Services Special Revenue Fund was \$9,291,150, or 79.1 percent, of Human Services expenditures.

Chisago County's bonds and notes payable increased by \$14,745,000, or 38.1 percent, during 2010. The key factor in the increase was the issuance of capital improvement bonds for road projects of \$7 million and for the 800 MHZ radio tower project of \$11.35 million, offset by the staged 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 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 that is 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 that is 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 individual ditch balances, intergovernmental revenues, federal awards, and taxes.

Chisago County adopts annual budgets for its major funds, except for 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 \$126,198,221 at the close of 2010. The largest portion of Chisago County's net assets (78.9 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

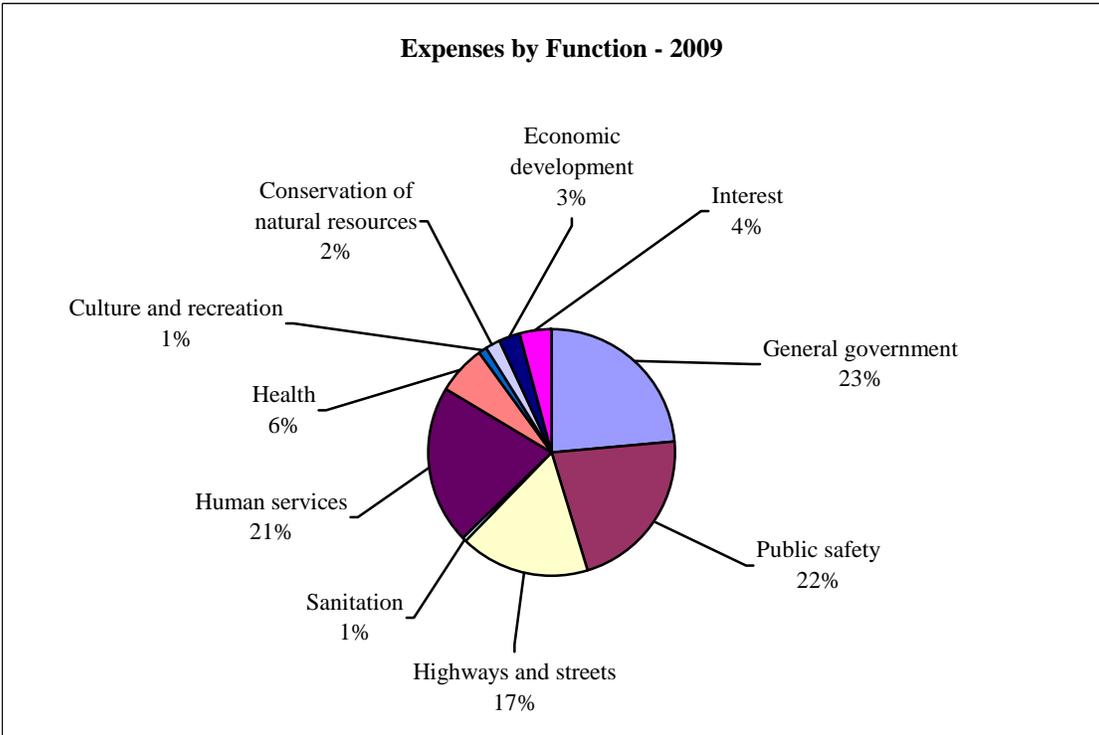
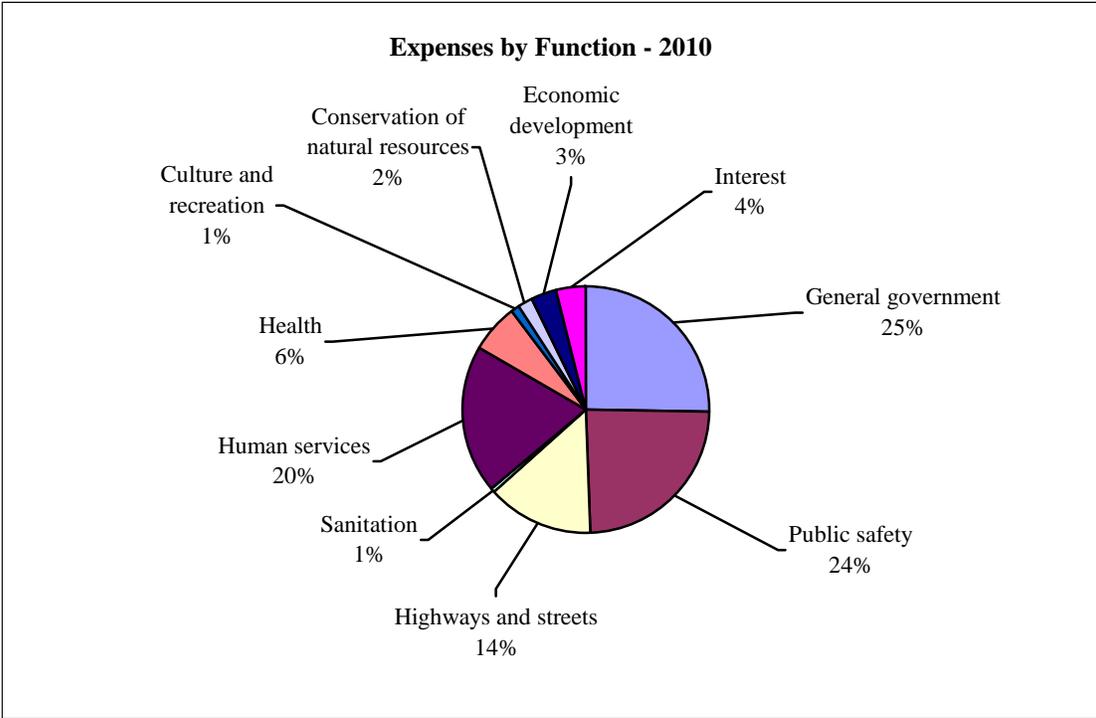
<b>Governmental Net Assets</b>		
	2010	2009
Current and other assets	\$ 52,034,898	\$ 37,513,447
Capital assets	141,772,928	130,597,154
Total Assets	\$ 193,807,826	\$ 168,110,601
Long-term liabilities outstanding	\$ 63,546,953	\$ 48,915,187
Other liabilities	4,062,652	2,408,746
Total Liabilities	\$ 67,609,605	\$ 51,323,933

	<u>2010</u>	<u>2009</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 99,618,353	\$ 91,763,731
Restricted	20,106,691	7,572,797
Unrestricted	<u>6,473,177</u>	<u>17,450,140</u>
Total Net Assets	<u>\$ 126,198,221</u>	<u>\$ 116,786,668</u>

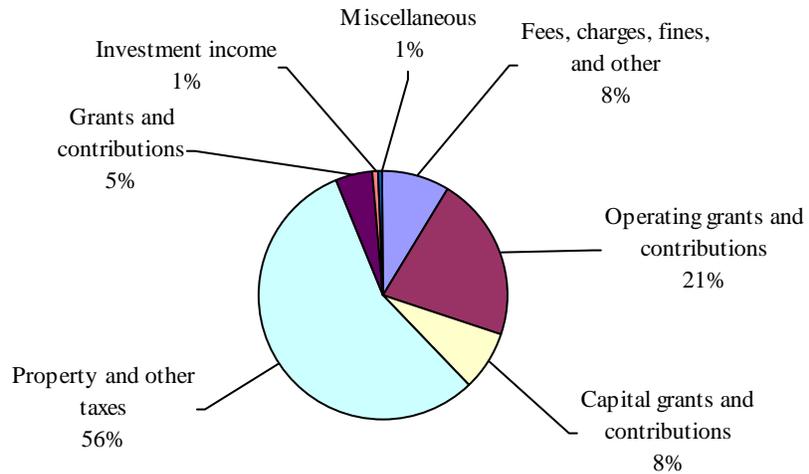
The restricted asset amount of \$20,106,691 represents resources whose use is restricted by external requirements such as debt covenants and legislation. The restricted net assets increased by \$12,533,094. The majority of that increase is due to the restriction for the 800 MHZ radio tower project of \$10.2 million. The unrestricted net asset amount of \$6,473,177 as of December 31, 2010, may be used to meet the County's ongoing obligations to citizens and creditors. Chisago County's activities increased net assets by \$9,411,553, or 8.1 percent, over the 2009 net assets.

#### Changes in Net Assets

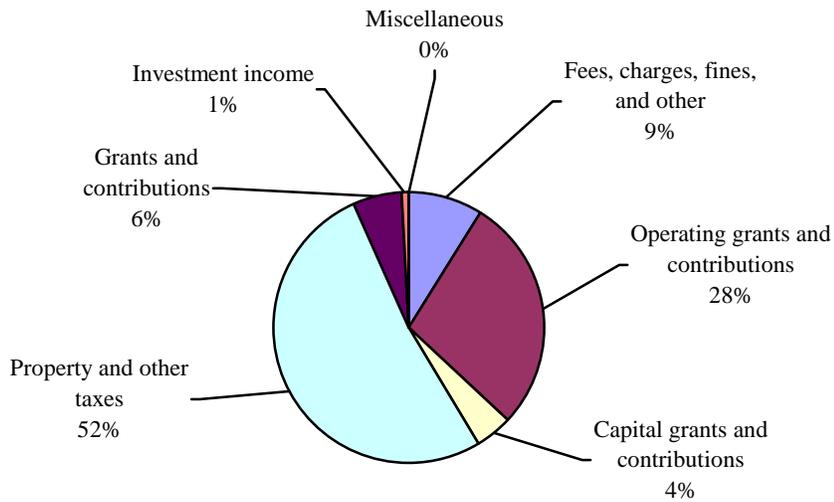
	<u>2010</u>	<u>2009</u>
Revenues		
Program revenues		
Charges for services	\$ 4,949,413	\$ 5,395,967
Operating grants and contributions	11,860,912	16,787,898
Capital grants and contributions	4,177,937	2,538,498
General revenues		
Property taxes	30,530,695	30,504,263
Other	<u>4,014,150</u>	<u>4,617,172</u>
Total Revenues	<u>\$ 55,533,107</u>	<u>\$ 59,843,798</u>
Expenses		
General government	\$ 11,664,214	\$ 10,911,564
Public safety	11,080,555	10,097,062
Highways and streets	6,432,904	7,779,210
Sanitation	309,618	334,342
Human services	8,950,239	9,680,067
Health	2,933,008	2,885,232
Culture and recreation	526,555	591,247
Conservation of natural resources	935,046	835,981
Economic development	1,538,651	1,355,708
Interest	<u>1,750,764</u>	<u>1,887,535</u>
Total Expenses	<u>\$ 46,121,554</u>	<u>\$ 46,357,948</u>
Increase in Net Assets	\$ 9,411,553	\$ 13,485,850
Net Assets, January 1	<u>116,786,668</u>	<u>103,300,818</u>
Net Assets, December 31	<u>\$ 126,198,221</u>	<u>\$ 116,786,668</u>

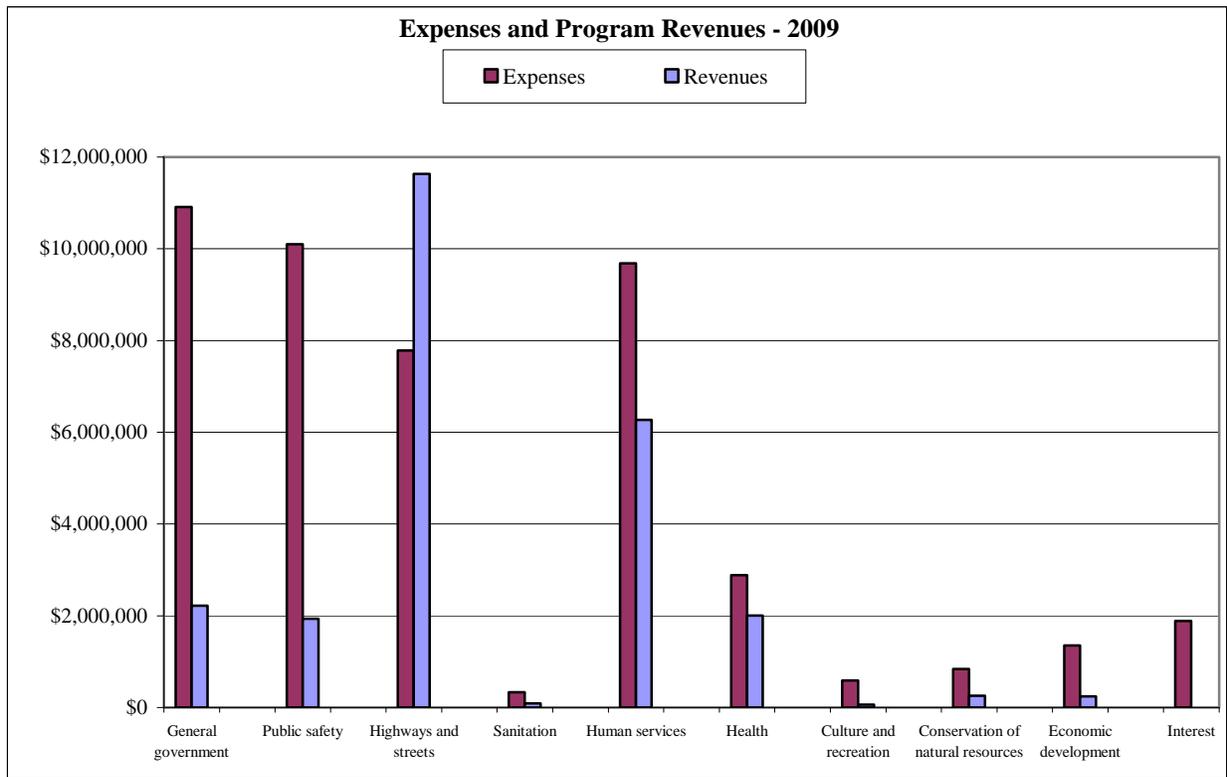
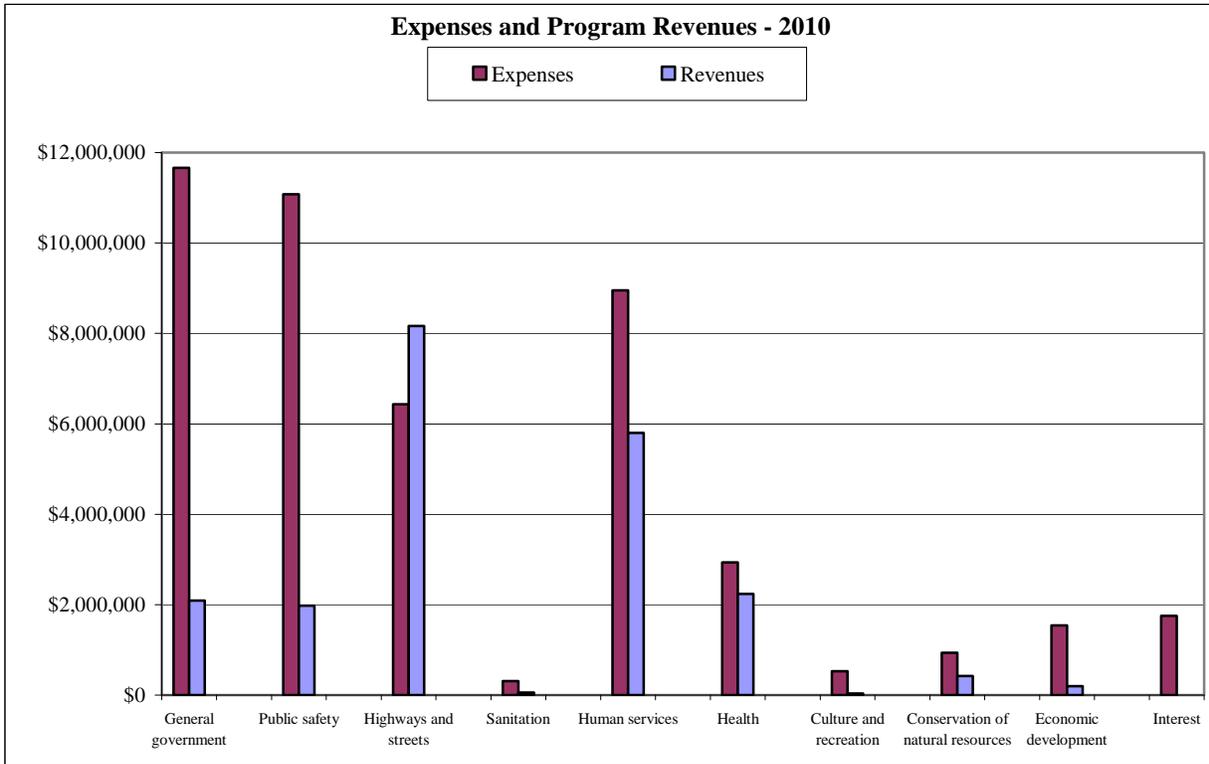


**Revenues by Source - 2010**



**Revenues by Source - 2009**





## **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 \$46,227,932. This is an increase of \$14,648,001 (46.4 percent) in comparison with the prior year. Primarily, this is the result of unspent bond proceeds received late in 2010. Unreserved fund balance of \$26,121,241 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 \$9,752,649. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 44.7 percent of total General Fund expenditures. In 2010, ending fund balance in the General Fund increased by \$951,955 (8.3 percent). The largest drivers of this are unbudgeted Local Government Aid (LGA) dollars received, unspent recorders' technology and compliance fees, larger than expected MCIT insurance refunds, and various other expenditure reductions.

The Human Services Special Revenue Fund's unreserved fund balance of \$9,291,150 at year-end represents 79.1 percent of Human Services expenditures. In 2010, the total fund balance increased \$1,878,791 (24.1 percent) from the prior year. This is primarily due to expense favorability in social service programs versus budget, and higher than expected revenues in public health programs.

### **General Fund Budgetary Highlights**

Differences between the General Fund's original budget and the final amended budget totaled to a \$2,217,879 net increase in expenditures. These differences are largely due to carryover of 2009 unexpended budgeted amounts and a \$200,000 reduction in 2010 budget for interest income. Actual revenues were more than final budgeted revenues by \$842,050 due to receiving LGA that was not budgeted, higher than expected MCIT insurance refunds, favorable penalties and interest, and various intergovernmental revenues offset by lower investment income. Actual expenditures were less than final budgeted expenditures by \$2,441,125, due to \$1.5 million in unexpended 2009 carryovers from the prior year (Recorder's Fund and Sheriff's Department), current year expenditure favorability in the Recorder's Office and Public Safety, and other general government expenditure favorabilities.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County's capital assets for its governmental activities at December 31, 2010, totaled \$141,772,928 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$11,175,774, or 8.6 percent, from the previous year. The major events affecting this increase were the capitalization of infrastructure and new construction in progress for county road construction costs.

	Capital Assets (Net of Depreciation)	
	2010	2009
Land	\$ 2,613,277	\$ 2,613,277
Construction in progress	9,566,514	20,236,952
Buildings	15,005,138	15,550,679
Machinery, furniture, and equipment	4,188,843	5,224,226
Infrastructure	110,399,156	86,972,020
Total	<u>\$ 141,772,928</u>	<u>\$ 130,597,154</u>

### Long-Term Debt

At the end of the current fiscal year, the County had total bonds and notes outstanding of \$53,495,000, which was backed by the full faith and credit of the government.

	Outstanding Debt	
	2010	2009
General obligation bonds	\$ 52,585,000	\$ 37,680,000
General obligation capital notes	910,000	1,070,000
Total Long-Term Debt	<u>\$ 53,495,000</u>	<u>\$ 38,750,000</u>

The County's debt related to general obligation bonds and notes increased by \$14,745,000 (38.1 percent) during the fiscal year. The increase was due to the issuance of capital improvement bonds (\$7 million in road projects and \$11.35 million for the 800 MHZ radio tower project), less the scheduled retirement of various general obligation bonds and one capital note.

The major debt-related transactions during the year include the following:

- The County issued \$4,870,000 General Obligation Temporary Jail Refinancing Bonds (Series 2010A) to refund the 2007B General Obligation Temporary Jail Bonds.
- The County issued \$7,000,000 in Capital Improvement Bonds - Road Construction (Series 2010B, Build America Bonds).
- The County issued \$11,350,000 in Capital improvement Bonds - Radio Tower (Series 2010C, Build America Bonds).

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2010, 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 9.4 percent for 2010, the statewide average rate was 7.3 percent, and the national average rate was 9.6 percent.
- Chisago County's tax base has declined 8.2 percent for the 2011 levy from 2010 as a result of the economic climate. Housing prices have been negatively impacted, and foreclosures continue to be an issue for 2010.
- At the end of 2010, Chisago County approved its 2011 revenue and expenditure budgets. For the second consecutive year, the property tax levy reflected a zero percent increase over the previous year due to current economic conditions and its impact on taxpayers. Also, with LGA expected to be cut by the State, the County Commissioners conservatively budgeted LGA at zero for 2011.

## **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**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	<u>Primary Government Governmental Activities</u>	<u>HRA-EDA Discretely Presented Component Unit</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 45,690,712	\$ 1,702,889
Receivables - net	5,204,003	167,628
Inventories	692,391	-
Prepaid items	138,024	11,885
Advances to other agencies	29,869	-
Deferred charges	279,899	108,868
Land held for resale	-	3,223,295
Capital lease receivable	-	5,178,718
Capital assets		
Non-depreciable capital assets	12,179,791	243,181
Depreciable capital assets - net of accumulated depreciation	129,593,137	5,363,637
<b>Total Assets</b>	<b><u>\$ 193,807,826</u></b>	<b><u>\$ 16,000,101</u></b>
<b><u>Liabilities</u></b>		
Accounts payable and other current liabilities	\$ 3,041,582	\$ 23,238
Accrued interest payable	702,726	117,767
Due to other governments	264,668	2,369
Security deposits	-	52,605
Unearned revenue	53,676	-
Long-term liabilities		
Due within one year	5,226,509	294,401
Due in more than one year	58,320,444	11,840,247
<b>Total Liabilities</b>	<b><u>\$ 67,609,605</u></b>	<b><u>\$ 12,330,627</u></b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 99,618,353	\$ 1,132,273
Restricted for		
General government	2,682,605	-
Highways and streets	2,481,539	-
Human services	369,125	-
Capital projects	10,168,422	-
Debt service	4,405,000	-
Unrestricted	6,473,177	2,537,201
<b>Total Net Assets</b>	<b><u>\$ 126,198,221</u></b>	<b><u>\$ 3,669,474</u></b>

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

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 11,664,214	\$ 1,978,686
Public safety	11,080,555	1,094,477
Highways and streets	6,432,904	85,692
Sanitation	309,618	57,880
Human services	8,950,239	492,142
Health	2,933,008	1,013,572
Culture and recreation	526,555	32,063
Conservation of natural resources	935,046	912
Economic development	1,538,651	193,989
Interest	1,750,764	-
<b>Total Primary Government</b>	<b><u>\$ 46,121,554</u></b>	<b><u>\$ 4,949,413</u></b>
<b>Component Unit</b>		
Housing and Redevelopment Authority - Economic Development Authority (HRA-EDA)	<u>\$ 1,395,547</u>	<u>\$ 948,848</u>

**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  
Insurance dividends

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning**

**Net Assets - Ending**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Governmental Activities</b>	<b>HRA-EDA Discretely Presented Component Unit</b>
\$ 108,753	\$ -	\$ (9,576,775)	
881,623	-	(9,104,455)	
3,903,816	4,177,937	1,734,541	
-	-	(251,738)	
5,306,504	-	(3,151,593)	
1,227,890	-	(691,546)	
1,500	-	(492,992)	
424,826	-	(509,308)	
6,000	-	(1,338,662)	
-	-	(1,750,764)	
<b>\$ 11,860,912</b>	<b>\$ 4,177,937</b>	<b>\$ (25,133,292)</b>	
<b>\$ 119,757</b>	<b>\$ -</b>		<b>\$ (326,942)</b>
		\$ 30,530,695	\$ 602,047
		37,059	-
		36,518	-
		595,563	-
		2,612,239	-
		412,172	11,554
		4,860	-
		315,739	-
		<b>\$ 34,544,845</b>	<b>\$ 613,601</b>
		<b>\$ 9,411,553</b>	<b>\$ 286,659</b>
		<b>116,786,668</b>	<b>3,382,815</b>
		<b>\$ 126,198,221</b>	<b>\$ 3,669,474</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<b>General</b>	<b>Road and Bridge</b>
<u><b>Assets</b></u>		
Cash and pooled investments	\$ 10,942,059	\$ 5,297,649
Petty cash and change funds	2,150	-
Undistributed cash in the agency funds	185,499	87,667
Departmental cash	15,220	-
Cash with escrow agent	-	-
Taxes receivable		
Prior	962,393	378,099
Special assessments receivable		
Prior	2,784	-
Noncurrent	-	-
Accounts receivable	40,566	-
Accrued interest receivable	113,370	-
Notes receivable	1,000,000	-
Due from other funds	29,787	3,436
Due from other governments	306,929	377,745
Loans receivable	243,633	-
Inventories	-	692,391
Advances to other agencies	-	-
Prepaid items	137,058	966
	<b>\$ 13,981,448</b>	<b>\$ 6,837,953</b>
<b>Total Assets</b>		

**EXHIBIT 3**

<b>Human Services</b>	<b>Debt Service</b>	<b>County Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 8,895,897	\$ 4,405,528	\$ 11,046,272	\$ 4,153,895	\$ 44,741,300
-	-	-	-	2,150
57,191	38,878	-	7,174	376,409
-	-	-	-	15,220
-	555,633	-	-	555,633
419,809	258,632	-	62,898	2,081,831
-	-	-	18,511	21,295
-	37,751	-	15,925	53,676
239,064	-	-	-	279,630
-	-	-	-	113,370
-	-	-	-	1,000,000
-	-	-	-	33,223
725,894	-	-	-	1,410,568
-	-	-	-	243,633
-	-	-	-	692,391
29,869	-	-	-	29,869
-	-	-	-	138,024
<b>\$ 10,367,724</b>	<b>\$ 5,296,422</b>	<b>\$ 11,046,272</b>	<b>\$ 4,258,403</b>	<b>\$ 51,788,222</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 441,370	\$ 544,005
Salaries payable	185,162	36,562
Contracts payable	-	652,798
Due to other funds	3,436	-
Due to other governments	98,390	111,332
Deferred revenue - unavailable	817,836	696,341
Deferred revenue - unearned	-	-
	<b>\$ 1,546,194</b>	<b>\$ 2,041,038</b>
 <b>Fund Balances</b>		
Reserved for		
Prepaid items	\$ 137,058	\$ -
Recorder's equipment	666,482	-
Inventories	-	692,391
Software project	-	-
Deferred charges	-	-
Encumbrances	-	1,788,148
Debt service	-	-
Advance to other agency	-	-
Long-term receivables	243,633	-
Sheriff's contingency	25,794	-
Notes receivable	1,000,000	-
Land records technology	584,335	-
Sheriff's forfeited property	25,303	-
800 MHZ project	-	-
Driveway deposits	-	1,000
Unreserved, designated for		
Future expenditures	656,937	-
Cash flows	9,000,000	2,315,376
Undesignated	95,712	-
Unreserved, reported in nonmajor special revenue funds	-	-
	<b>\$ 12,435,254</b>	<b>\$ 4,796,915</b>
 <b>Total Fund Balances</b>	<b>\$ 12,435,254</b>	<b>\$ 4,796,915</b>
 <b>Total Liabilities and Fund Balances</b>	<b>\$ 13,981,448</b>	<b>\$ 6,837,953</b>

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

<u>Human Services</u>	<u>Debt Service</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 165,956	\$ -	\$ 14,830	\$ 30,659	\$ 1,196,820
105,586	-	-	1,634	328,944
-	-	863,020	-	1,515,818
29,787	-	-	-	33,223
47,358	-	-	7,588	264,668
358,762	217,132	-	77,070	2,167,141
-	37,751	-	15,925	53,676
<u>\$ 707,449</u>	<u>\$ 254,883</u>	<u>\$ 877,850</u>	<u>\$ 132,876</u>	<u>\$ 5,560,290</u>
\$ -	\$ -	\$ -	\$ -	\$ 137,058
-	-	-	-	666,482
-	-	-	-	692,391
100,000	-	-	-	100,000
239,256	-	-	-	239,256
-	-	-	-	1,788,148
-	4,405,000	-	-	4,405,000
29,869	-	-	-	29,869
-	-	-	-	243,633
-	-	-	-	25,794
-	-	-	-	1,000,000
-	-	-	-	584,335
-	-	-	-	25,303
-	-	10,168,422	-	10,168,422
-	-	-	-	1,000
-	-	-	-	656,937
8,500,000	-	-	-	19,815,376
791,150	636,539	-	-	1,523,401
-	-	-	4,125,527	4,125,527
<u>\$ 9,660,275</u>	<u>\$ 5,041,539</u>	<u>\$ 10,168,422</u>	<u>\$ 4,125,527</u>	<u>\$ 46,227,932</u>
<u>\$ 10,367,724</u>	<u>\$ 5,296,422</u>	<u>\$ 11,046,272</u>	<u>\$ 4,258,403</u>	<u>\$ 51,788,222</u>

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**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, 2010**

<b>Fund balance - total governmental funds</b>		<b>\$ 46,227,932</b>
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.		141,772,928
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,167,141
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	\$ (52,503,775)	
Capital notes	(910,000)	
Capital leases	(5,287,614)	
Compensated absences	(3,856,874)	
Net OPEB liability	(988,690)	
Accrued interest payable	(702,726)	
Deferred charges	279,899	
	(63,969,780)	(63,969,780)
<b>Net Assets of Governmental Activities</b>		<b><u><u>\$ 126,198,221</u></u></b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 14,805,479	\$ 5,485,064	\$ 5,675,534
Special assessments	-	-	-
Licenses and permits	290,839	9,665	-
Intergovernmental	4,394,468	8,895,619	6,446,070
Charges for services	2,479,442	56,279	1,157,631
Fines and forfeits	215,873	-	-
Gifts and contributions	22,707	315,000	-
Investment earnings	358,853	-	-
Miscellaneous	363,878	28,936	348,083
<b>Total Revenues</b>	<b>\$ 22,931,539</b>	<b>\$ 14,790,563</b>	<b>\$ 13,627,318</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 9,975,196	\$ 98,045	\$ -
Public safety	9,528,033	-	-
Highways and streets	-	18,660,928	-
Sanitation	-	-	-
Human services	-	-	8,872,597
Health	-	-	2,875,930
Culture and recreation	295,322	-	-
Conservation of natural resources	493,320	-	-
Economic development	941,804	-	-
<b>Intergovernmental</b>	<b>551,288</b>	<b>-</b>	<b>-</b>
<b>Capital outlay</b>	<b>9,605</b>	<b>-</b>	<b>-</b>
<b>Debt service</b>			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Bond issuance costs	-	45,287	-
Administrative charges	-	-	-
<b>Total Expenditures</b>	<b>\$ 21,794,568</b>	<b>\$ 18,804,260</b>	<b>\$ 11,748,527</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>\$ 1,136,971</b>	<b>\$ (4,013,697)</b>	<b>\$ 1,878,791</b>

**EXHIBIT 5**

<b>Debt Service</b>	<b>County Capital Projects</b>	<b>Jail Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 3,933,135	\$ -	\$ -	\$ 402,480	\$ 30,301,692
-	-	-	251,930	251,930
-	-	-	9,620	310,124
1,184,947	-	-	198,235	21,119,339
-	-	-	19,028	3,712,380
-	-	-	-	215,873
-	-	-	-	337,707
4,789	-	-	-	363,642
-	-	-	39,850	780,747
<b>\$ 5,122,871</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 921,143</b>	<b>\$ 57,393,434</b>
\$ -	\$ -	\$ -	\$ -	\$ 10,073,241
-	-	-	-	9,528,033
-	-	-	-	18,660,928
-	-	-	299,758	299,758
-	-	-	-	8,872,597
-	-	-	-	2,875,930
-	-	-	92	295,414
-	-	-	436,037	929,357
-	-	-	-	941,804
-	-	-	-	551,288
-	1,068,798	6,600	1,086,983	2,171,986
8,769,691	-	-	-	8,769,691
1,689,852	-	-	-	1,689,852
38,475	55,612	-	-	139,374
5,756	-	-	-	5,756
<b>\$ 10,503,774</b>	<b>\$ 1,124,410</b>	<b>\$ 6,600</b>	<b>\$ 1,822,870</b>	<b>\$ 65,805,009</b>
<b>\$ (5,380,903)</b>	<b>\$ (1,124,410)</b>	<b>\$ (6,600)</b>	<b>\$ (901,727)</b>	<b>\$ (8,411,575)</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 68,500	\$ -	\$ -
Transfers out	(253,516)	-	-
Proceeds from sale of bonds	-	7,000,000	-
Proceeds from sale of refunding bonds	-	-	-
Discount on bonds	-	(52,500)	-
Proceeds from sale of capital assets	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (185,016)</b>	<b>\$ 6,947,500</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 951,955</b>	<b>\$ 2,933,803</b>	<b>\$ 1,878,791</b>
<b>Fund Balances - January 1</b>	<b>11,483,299</b>	<b>1,866,766</b>	<b>7,781,484</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(3,654)</b>	<b>-</b>
<b>Fund Balances - December 31</b>	<b>\$ 12,435,254</b>	<b>\$ 4,796,915</b>	<b>\$ 9,660,275</b>

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

<b>Debt Service</b>	<b>County Capital Projects</b>	<b>Jail Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 909,603	\$ 33,632	\$ -	\$ 253,516	\$ 1,265,251
-	-	(883,632)	(128,103)	(1,265,251)
-	11,350,000	-	-	18,350,000
4,870,000	-	-	-	4,870,000
(21,866)	(90,800)	-	-	(165,166)
-	-	-	8,396	8,396
<b>\$ 5,757,737</b>	<b>\$ 11,292,832</b>	<b>\$ (883,632)</b>	<b>\$ 133,809</b>	<b>\$ 23,063,230</b>
\$ 376,834	\$ 10,168,422	\$ (890,232)	\$ (767,918)	\$ 14,651,655
4,664,705	-	890,232	4,893,445	31,579,931
-	-	-	-	(3,654)
<b>\$ 5,041,539</b>	<b>\$ 10,168,422</b>	<b>\$ -</b>	<b>\$ 4,125,527</b>	<b>\$ 46,227,932</b>

**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, 2010**

**Net change in fund balance - total governmental funds** **\$ 14,651,655**

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	\$ 2,167,141	
Deferred revenue - January 1	(4,032,334)	(1,865,193)

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	\$ 15,577,994	
Net book value of disposed assets	(10,475)	
Current year depreciation	(4,391,745)	11,175,774

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, capital notes, and capital leases)	\$ (23,220,000)	
Premium, discount and issuance costs	304,540	(22,915,460)

Principal repayments		
Reported as debt service expenditures (bonds, notes and capital leases)		8,769,691

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	\$ (24,786)	
Amortization of bond discounts, premiums, and deferred issuance charges	(30,364)	
Change in compensated absences	(29,775)	
Change in net OPEB liability	(316,335)	
Change in inventories	(3,654)	(404,914)

**Change in Net Assets of Governmental Activities** **\$ 9,411,553**

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT 7**

**BUDGETARY COMPARISON  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 15,589,169	\$ 15,589,169	\$ 14,805,479	\$ (783,690)
Licenses and permits	308,550	308,550	290,839	(17,711)
Intergovernmental	2,655,554	3,008,555	4,394,468	1,385,913
Charges for services	2,445,315	2,445,315	2,479,442	34,127
Fines and forfeits	187,900	187,900	215,873	27,973
Gifts and contributions	-	-	22,707	22,707
Investment earnings	700,000	500,000	358,853	(141,147)
Miscellaneous	50,000	50,000	363,878	313,878
<b>Total Revenues</b>	<b>\$ 21,936,488</b>	<b>\$ 22,089,489</b>	<b>\$ 22,931,539</b>	<b>\$ 842,050</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 270,614	\$ 270,614	\$ 271,811	\$ (1,197)
Courts	193,443	193,443	185,790	7,653
Law library	41,242	37,984	67,951	(29,967)
County administrator	478,214	478,214	486,891	(8,677)
County auditor	415,054	415,054	424,018	(8,964)
County treasurer	271,743	271,743	270,177	1,566
County assessor	730,689	730,689	682,699	47,990
Elections	41,500	72,806	66,403	6,403
Data processing	3,324,124	3,324,124	3,336,978	(12,854)
Central services	109,550	109,550	89,932	19,618
Attorney	1,153,925	1,159,995	1,129,439	30,556
Recorder	496,010	1,596,483	328,277	1,268,206
Planning and zoning	690,983	690,983	651,575	39,408
Maintenance	378,666	378,666	356,232	22,434
Veterans service officer	67,414	67,414	71,511	(4,097)
Other general government	1,473,972	1,491,035	1,555,512	(64,477)
<b>Total general government</b>	<b>\$ 10,137,143</b>	<b>\$ 11,288,797</b>	<b>\$ 9,975,196</b>	<b>\$ 1,313,601</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**BUDGETARY COMPARISON  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 4,291,124	\$ 4,310,169	\$ 4,123,950	\$ 186,219
Sheriff's contingent	-	8,419	23,478	(15,059)
Boat and water safety	35,700	49,656	45,951	3,705
Coroner	90,483	90,483	97,455	(6,972)
Enhanced 911 system	125,400	307,146	125,400	181,746
County jail	3,817,044	3,817,044	3,558,924	258,120
Caseload reduction	68,118	77,100	68,918	8,182
Jail canteen fund	-	58,975	44,763	14,212
Probation and parole	728,375	728,375	744,945	(16,570)
Sentenced to serve	56,992	56,992	56,992	-
Electronic monitoring	19,100	20,712	16,955	3,757
Juvenile substance abuse court	51,998	98,222	49,425	48,797
Civil defense	-	-	(239)	239
Emergency management	50,992	88,517	89,312	(795)
Other public safety	492,692	816,425	481,804	334,621
<b>Total public safety</b>	<b>\$ 9,828,018</b>	<b>\$ 10,528,235</b>	<b>\$ 9,528,033</b>	<b>\$ 1,000,202</b>
<b>Culture and recreation</b>				
Historical society	\$ 34,335	\$ 34,335	\$ 34,335	\$ -
Parks	232,942	240,447	196,025	44,422
Senior citizens	38,000	38,000	38,000	-
Other	29,515	29,515	26,962	2,553
<b>Total culture and recreation</b>	<b>\$ 334,792</b>	<b>\$ 342,297</b>	<b>\$ 295,322</b>	<b>\$ 46,975</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 110,459	\$ 110,459	\$ 96,352	\$ 14,107
Soil and water conservation	57,000	292,000	125,909	166,091
Agricultural society/County fair	19,800	19,800	19,800	-
Water planning	87,777	211,280	135,579	75,701
Wetland challenge	89,047	89,047	93,009	(3,962)
Other	18,724	18,724	22,671	(3,947)
<b>Total conservation of natural resources</b>	<b>\$ 382,807</b>	<b>\$ 741,310</b>	<b>\$ 493,320</b>	<b>\$ 247,990</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**BUDGETARY COMPARISON  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Community development	\$ 163,000	\$ 163,000	\$ 287,443	\$ (124,443)
Other	622,054	622,054	654,361	(32,307)
<b>Total economic development</b>	<b>\$ 785,054</b>	<b>\$ 785,054</b>	<b>\$ 941,804</b>	<b>\$ (156,750)</b>
<b>Intergovernmental</b>				
Library	\$ 550,000	\$ 550,000	\$ 551,288	\$ (1,288)
<b>Capital outlay</b>				
Public safety	\$ -	\$ -	\$ 9,605	\$ (9,605)
<b>Total Expenditures</b>	<b>\$ 22,017,814</b>	<b>\$ 24,235,693</b>	<b>\$ 21,794,568</b>	<b>\$ 2,441,125</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (81,326)	\$ (2,146,204)	\$ 1,136,971	\$ 3,283,175
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 81,326	\$ 104,405	\$ 68,500	\$ (35,905)
Transfers out	-	(256,595)	(253,516)	3,079
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 81,326</b>	<b>\$ (152,190)</b>	<b>\$ (185,016)</b>	<b>\$ (32,826)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (2,298,394)</b>	<b>\$ 951,955</b>	<b>\$ 3,250,349</b>
<b>Fund Balance - January 1</b>	<b>11,483,299</b>	<b>11,483,299</b>	<b>11,483,299</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 11,483,299</b>	<b>\$ 9,184,905</b>	<b>\$ 12,435,254</b>	<b>\$ 3,250,349</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT 8**

**BUDGETARY COMPARISON  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,837,556	\$ 5,837,556	\$ 5,485,064	\$ (352,492)
Licenses and permits	19,000	19,000	9,665	(9,335)
Intergovernmental	5,949,757	9,479,512	8,895,619	(583,893)
Charges for services	63,500	63,500	56,279	(7,221)
Gifts and contributions	-	315,000	315,000	-
Miscellaneous	-	-	28,936	28,936
<b>Total Revenues</b>	<b>\$ 11,869,813</b>	<b>\$ 15,714,568</b>	<b>\$ 14,790,563</b>	<b>\$ (924,005)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Surveyor	\$ 92,557	\$ 92,557	\$ 98,045	\$ (5,488)
<b>Highways and streets</b>				
Administration	\$ 808,027	\$ 808,027	\$ 1,176,164	\$ (368,137)
Engineering	1,185,387	1,470,923	1,181,193	289,730
Maintenance	3,686,639	3,686,639	3,484,113	202,526
Construction	5,125,000	12,942,734	11,975,812	966,922
Equipment, maintenance, and shop	972,203	972,203	843,646	128,557
<b>Total highways and streets</b>	<b>\$ 11,777,256</b>	<b>\$ 19,880,526</b>	<b>\$ 18,660,928</b>	<b>\$ 1,219,598</b>
<b>Debt service</b>				
Bond issuance costs	\$ -	\$ -	\$ 45,287	\$ (45,287)
<b>Total Expenditures</b>	<b>\$ 11,869,813</b>	<b>\$ 19,973,083</b>	<b>\$ 18,804,260</b>	<b>\$ 1,168,823</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ (4,258,515)</b>	<b>\$ (4,013,697)</b>	<b>\$ 244,818</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of bonds	\$ -	\$ 6,902,213	\$ 7,000,000	\$ 97,787
Discount on bonds	-	-	(52,500)	(52,500)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 6,902,213</b>	<b>\$ 6,947,500</b>	<b>\$ 45,287</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 2,643,698</b>	<b>\$ 2,933,803</b>	<b>\$ 290,105</b>
<b>Fund Balance - January 1</b>	<b>1,866,766</b>	<b>1,866,766</b>	<b>1,866,766</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(3,654)</b>	<b>(3,654)</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,866,766</b>	<b>\$ 4,510,464</b>	<b>\$ 4,796,915</b>	<b>\$ 286,451</b>

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

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT 9**

**BUDGETARY COMPARISON  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 6,010,004	\$ 6,010,004	\$ 5,675,534	\$ (334,470)
Intergovernmental	5,699,521	5,868,861	6,446,070	577,209
Charges for services	763,394	812,467	1,157,631	345,164
Miscellaneous	622,460	622,460	348,083	(274,377)
<b>Total Revenues</b>	<b>\$ 13,095,379</b>	<b>\$ 13,313,792</b>	<b>\$ 13,627,318</b>	<b>\$ 313,526</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 2,729,333	\$ 2,729,333	\$ 2,804,351	\$ (75,018)
Social services	7,343,343	7,343,343	6,068,246	1,275,097
<b>Total human services</b>	<b>\$ 10,072,676</b>	<b>\$ 10,072,676</b>	<b>\$ 8,872,597</b>	<b>\$ 1,200,079</b>
<b>Health</b>				
Nursing service	\$ 2,104,961	\$ 2,270,057	\$ 2,053,360	\$ 216,697
Maternal and child health	917,742	971,059	822,570	148,489
<b>Total health</b>	<b>\$ 3,022,703</b>	<b>\$ 3,241,116</b>	<b>\$ 2,875,930</b>	<b>\$ 365,186</b>
<b>Total Expenditures</b>	<b>\$ 13,095,379</b>	<b>\$ 13,313,792</b>	<b>\$ 11,748,527</b>	<b>\$ 1,565,265</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,878,791</b>	<b>\$ 1,878,791</b>
<b>Fund Balance - January 1</b>	<b>7,781,484</b>	<b>7,781,484</b>	<b>7,781,484</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 7,781,484</b>	<b>\$ 7,781,484</b>	<b>\$ 9,660,275</b>	<b>\$ 1,878,791</b>

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**FIDUCIARY FUNDS**

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CHISAGO COUNTY  
CENTER CITY, MINNESOTA

*EXHIBIT 10*

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2010

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	<u>\$ 946,618</u>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 3,112
Deferred benefits	39,056
Due to other governments	<u>904,450</u>
<b>Total Liabilities</b>	<b><u>\$ 946,618</u></b>

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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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, 2010. 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**

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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**

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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 Service Building and road projects that were 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 that were funded by the issuance of temporary jail bonds. This fund was closed in 2010.

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**

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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, 2010, 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 2010 were \$412,172.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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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**

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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 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**

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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**

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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**

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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**

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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

Although the Ditch Special Revenue Fund had a positive fund balance of \$113,265 as of December 31, 2010, 3 of the 13 active ditch systems had deficit balances. These deficits will be eliminated with future special assessment levies against benefited properties. Following is a summary of the individual ditch systems:

Ditches with positive balances	\$ 113,752
Ditches with deficit balances	<u>(487)</u>
Net Fund Balance	<u>\$ 113,265</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, 2010.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
Current			
General government			
Commissioners	\$ 271,811	\$ 270,614	\$ 1,197
Law library	67,951	37,984	29,967
County administrator	486,891	478,214	8,677
County auditor	424,018	415,054	8,964
Data processing	3,336,978	3,324,124	12,854
Veterans service officer	71,511	67,414	4,097
Other general government	1,555,512	1,491,035	64,477
Public safety			
Sheriff's contingent	23,478	8,419	15,059
Coroner	97,455	90,483	6,972
Probation and parole	744,945	728,375	16,570
Emergency management	89,312	88,517	795
Conservation of natural resources			
Wetland challenge	93,009	89,047	3,962
Other	22,671	18,724	3,947
Economic development			
Community development	287,443	163,000	124,443
Other	654,361	622,054	32,307
Intergovernmental			
Library	551,288	550,000	1,288
Capital outlay			
Public safety	9,605	-	9,605
Special Revenue Funds			
Road and Bridge			
Current			
General government			
Surveyor	98,045	92,557	5,488
Highways and streets			
Administration	1,176,164	808,027	368,137
Debt service			
Bond issuance costs	45,287	-	45,287

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

2. Stewardship, Compliance, and Accountability

C. Excess of Expenditures Over Budget (Continued)

	Expenditures	Budget	Excess
Human Services			
Current			
Human Services			
Income maintenance	2,804,351	2,729,333	75,018
Parks			
Current			
Culture and recreation			
Parks	92	-	92
Capital outlay			
Culture and recreation	25,933	15,000	10,933
Lake Improvement District			
Current	45,287	-	45,287
Conservation of natural resources			
Lake Improvement District	432,537	238,453	194,084

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	\$ 45,690,712	
Statement of fiduciary net assets		
Cash and pooled investments	946,618	
Total Cash and Investments	\$ 46,637,330	
Deposits	\$ 711,728	
Petty cash and change funds	2,150	
Departmental cash	15,220	
Investments	45,908,232	
Total Deposits, Cash on Hand, and Investments	\$ 46,637,330	

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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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 designate a depository for public funds and to invest in certificates of deposit. 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 that is 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, 2010, 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**

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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, 2010, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
U.S. agency securities	\$ 17,892,716	\$ -	\$ 1,199,946	\$ 16,692,770
MAGIC Fund	27,036,764	27,036,764	-	-
Negotiable certificates of deposit	978,752	978,752	-	-
<b>Total Investments</b>	<b>\$ 45,908,232</b>	<b>\$ 28,015,516</b>	<b>\$ 1,199,946</b>	<b>\$ 16,692,770</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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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, 2010, is as follows:

	S & P Rating	Fair Value
U.S. agency securities	AAA	\$ 17,892,716
MAGIC Fund	N/R	27,036,764
Negotiable certificates of deposit	N/A	978,752
Total		\$ 45,908,232

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

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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:

<u>Issuer</u>	<u>Reported Amount</u>
FNLMC - Wells Fargo Advisors	\$ 8,564,913
FHLB - Wells Fargo Advisors	3,467,627
FNMA - Wells Fargo Advisors	5,860,176
MAGIC Fund	27,036,764

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, 2010, the County's investments were not exposed to custodial credit risk.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2010, 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	\$ 2,081,831	\$ -
Special assessments	74,971	53,676
Accounts	279,630	-
Accrued interest	113,370	-
Notes	1,000,000	1,000,000
Due from other governments	1,410,568	-
Loans	243,633	217,882
Total Governmental Activities	\$ 5,204,003	\$ 1,271,558

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,613,277	\$ -	\$ -	\$ 2,613,277
Construction in progress	20,236,952	8,599,495	19,269,933	9,566,514
Total capital assets not depreciated	\$ 22,850,229	\$ 8,599,495	\$ 19,269,933	\$ 12,179,791
Capital assets depreciated				
Buildings	\$ 22,678,082	\$ 21,040	\$ -	\$ 22,699,122
Machinery, furniture, and equipment	13,304,033	513,060	278,658	13,538,435
Infrastructure	103,855,449	25,714,332	-	129,569,781
Total capital assets depreciated	\$ 139,837,564	\$ 26,248,432	\$ 278,658	\$ 165,807,338

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 7,127,403	\$ 566,581	\$ -	\$ 7,693,984
Machinery, furniture, and equipment	8,079,807	1,537,968	268,183	9,349,592
Infrastructure	16,883,429	2,287,196	-	19,170,625
	<u>\$ 32,090,639</u>	<u>\$ 4,391,745</u>	<u>\$ 268,183</u>	<u>\$ 36,214,201</u>
Total accumulated depreciation				
Total capital assets depreciated, net	\$ 107,746,925	\$ 21,856,687	\$ 10,475	\$ 129,593,137
Capital Assets, Net	<u>\$ 130,597,154</u>	<u>\$ 30,456,182</u>	<u>\$ 19,280,408</u>	<u>\$ 141,772,928</u>

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

Governmental Activities	
General government	\$ 832,516
Public safety	426,562
Highways and streets, including depreciation of infrastructure assets	2,764,179
Sanitation	7,047
Health	82,796
Culture and recreation	220,925
Economic development	57,720
	<u>\$ 4,391,745</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,391,745</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Human Services	\$ 29,787
Road and Bridge	General	3,436
		<u>\$ 33,223</u>
Total		<u>\$ 33,223</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

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, 2010, consisted of the following:

Transfer to General Fund from Solid Waste Fund	\$ 68,500	Transfer of solid waste fees
Transfers to Debt Service Fund from Jail Capital Projects Fund	850,000	Provide funds for refinance of jail debt (2007A to 2010A)
Transfer to County Capital Projects Fund from Jail Capital Projects Fund	33,632	Transfer remaining cash from fund balance
Transfers to Debt Service Fund from Capital Equipment Fund	59,603	Provide funds for repayment of debt
Transfer to Capital Equipment Fund from General Fund	<u>253,516</u>	Fund balance transfer to purchase squad cars
Total Interfund Transfers	<u>\$ 1,265,251</u>	

C. Liabilities

1. Payables

Payables at December 31, 2010, were as follows:

	Governmental Activities
Accounts	\$ 1,196,820
Salaries	328,944
Contracts	1,515,818
Due to other governments	<u>264,668</u>
Total Payables	<u>\$ 3,306,250</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

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, 2010, is summarized below by fund:

	<u>Taxes and Special Assessments</u>	<u>Highway Allotments and Other</u>	<u>Total</u>
Major governmental funds			
General	\$ 764,871	\$ 52,965	\$ 817,836
Road and Bridge	319,943	376,398	696,341
Human Services	358,762	-	358,762
Debt Service	254,883	-	254,883
Other governmental funds			
County Building	4,765	-	4,765
Ditch	632	-	632
Lake Improvement District	25,041	-	25,041
Solid Waste	17,880	-	17,880
Capital Equipment	44,677	-	44,677
Total	<u>\$ 1,791,454</u>	<u>\$ 429,363</u>	<u>\$ 2,220,817</u>
Deferred revenue			
Unavailable	\$ 1,737,778	\$ 429,363	\$ 2,167,141
Unearned	53,676	-	53,676
Total	<u>\$ 1,791,454</u>	<u>\$ 429,363</u>	<u>\$ 2,220,817</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.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

3. Capital Leases (Continued)

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	\$ 46,078
2007 Caterpillar wheel loader	2012	Annually	34,383	143,856	62,818
Buildings and libraries	2026	Annually	Various	10,720,000	5,178,718
Total Capital Leases					<u>\$ 5,287,614</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2010, were as follows:

Year Ending December 31	Governmental Activities
2011	\$ 586,050
2012	590,188
2013	529,103
2014	531,733
2015	528,380
2016 and beyond	<u>5,598,331</u>
Total minimum lease payments	\$ 8,363,785
Less	
Amount representing interest	(2,509,889)
Amount representing cash with escrow held by the Chisago County HRA-EDA	<u>(566,282)</u>
Present Value of Minimum Lease Payments	<u>\$ 5,287,614</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

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, 2010, are as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Balance December 31, 2010
2002A Capital Improvement Bonds	2018	\$50,000 - \$90,000	4.40 - 4.90	\$ 1,000,000	\$ 615,000
2003A Capital Improvement Bonds	2013	\$400,000 - \$550,000	3.00 - 3.40	2,000,000	1,450,000
2003B Jail and Courthouse Bonds	2014	\$65,000 - \$85,000	2.05 - 4.10	720,000	320,000
2004A State-Aid Road Bonds	2014	\$365,000 - \$450,000	1.50 - 3.30	4,000,000	1,720,000
2005A Road Reconstruction Bonds	2017	\$590,000 - \$835,000	3.50 - 4.00	7,000,000	5,170,000
2005B Capital Notes	2015	\$125,000 - \$195,000	3.60 - 4.00	1,500,000	910,000
2006 Capital Improvement Bonds	2026	\$250,000 - \$1,975,000	4.00 - 4.75	14,500,000	13,855,000
2007A State-Aid Road Bonds	2018	\$330,000 - \$470,000	3.65 - 3.85	3,960,000	3,285,000
2009A Refunding Bonds	2018	\$85,000 - \$510,000	2.00 - 3.00	3,315,000	2,950,000
2010A Temporary Jail Refinancing Bonds	2013	\$4,870,000	1.50	4,870,000	4,870,000
2010B Capital Improvement Bonds (Build America Bonds)	2026	\$340,000 - \$605,000	1.70 - 4.85	7,000,000	7,000,000
2010C Capital Improvement Bonds (Build America Bonds)	2031	\$460,000 - \$1,610,000	4.00 - 5.35	11,350,000	11,350,000
Total general obligation bonds and notes				<u>\$ 61,215,000</u>	<u>\$ 53,495,000</u>
Add: unamortized premium					150,883
Less: unamortized discount					<u>(232,108)</u>
Total Bonds and Notes, Net					<u>\$ 53,413,775</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2011	\$ 3,455,000	\$ 1,567,821	\$ 170,000	\$ 32,482
2012	2,510,000	1,623,106	175,000	25,969
2013	7,340,000	1,504,397	180,000	19,000
2014	2,490,000	1,390,113	190,000	11,600
2015	2,105,000	1,321,992	195,000	3,900
2016 - 2020	11,720,000	5,465,402	-	-
2021 - 2025	12,440,000	3,232,458	-	-
2026 - 2030	8,915,000	941,997	-	-
2031	1,610,000	43,068	-	-
Total	\$ 52,585,000	\$ 17,090,354	\$ 910,000	\$ 92,951

As part of the American Recovery and Reinvestment Act of 2009 (ARRA), Chisago County issued \$7,000,000 of Taxable General Obligation Capital Improvement Bonds, Series 2010B; and \$11,350,000 of Taxable General Obligation Capital Improvement Plan Bonds, Series 2010C. Both bond issues are direct payment tax credit Build America Bonds (BAB), in which the County receives a 35 percent credit on bond interest paid. The County has complied with all ARRA requirements to be eligible for the BAB interest credit.

Taking into consideration the above BAB interest credit, as of December 31, 2010, the County's net annual debt service requirements to amortize all taxable general obligation bonds outstanding, including interest of \$12,916,181 on the governmental activities debt is as follows:

Year Ending December 31	Principal	Interest	Federal Subsidy	Net Interest	Total Payment
2011	\$ 3,455,000	\$ 1,567,821	\$ (205,058)	\$ 1,362,763	\$ 4,817,763
2012	2,510,000	1,623,106	(290,216)	1,332,890	3,842,890
2013	7,340,000	1,504,397	(290,216)	1,214,181	8,554,181
2014	2,490,000	1,390,113	(289,204)	1,100,909	3,590,909
2015	2,105,000	1,321,992	(286,537)	1,035,455	3,140,455
2016 - 2020	11,720,000	5,465,402	(1,317,653)	4,147,749	15,867,749
2021 - 2025	12,440,000	3,232,458	(990,126)	2,242,332	14,682,332
2026 - 2030	8,915,000	941,997	(490,089)	451,908	9,366,908
2031	1,610,000	43,068	(15,074)	27,994	1,637,994
Total	\$ 52,585,000	\$ 17,090,354	\$ (4,174,173)	\$ 12,916,181	\$ 65,501,181

**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, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 37,680,000	\$ 23,220,000	\$ 8,315,000	\$ 52,585,000	\$ 3,455,000
Capital notes	1,070,000	-	160,000	910,000	170,000
Add: unamortized premium	168,741	-	17,858	150,883	-
Less: deferred amounts for issuance discounts	(85,319)	(165,166)	(18,377)	(232,108)	-
Total bonds and notes payable	\$ 38,833,422	\$ 23,054,834	\$ 8,474,481	\$ 53,413,775	\$ 3,625,000
Capital leases	5,582,311	-	294,697	5,287,614	307,797
Compensated absences	3,827,099	29,775	-	3,856,874	1,293,712
Net OPEB liability	672,355	316,335	-	988,690	-
Long-Term Liabilities	<u>\$ 48,915,187</u>	<u>\$ 23,400,944</u>	<u>\$ 8,769,178</u>	<u>\$ 63,546,953</u>	<u>\$ 5,226,509</u>

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 General 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.

General 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, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/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. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for General Employees Retirement Fund 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.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For all General 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 General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. 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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Employees Retirement Fund	\$ 940,090	\$ 981,327	\$ 917,275
Public Employees Police and Fire Fund	383,047	390,297	340,723
Public Employees Correctional Fund	92,322	98,824	92,251

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 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

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2010, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 9,105	\$ 9,105
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 2010, there were 387 participants in the plan, including 39 retirees and 6 retirees' spouses.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

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 not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2010, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

ARC	\$	420,534
Interest on net OPEB obligation		30,016
Adjustment to ARC		(40,407)
Adjustment to prior year ending balance		(5,339)
		_____
Annual OPEB cost (expense)	\$	404,804
Contributions made during the year		(88,469)
		_____
Increase in net OPEB obligation	\$	316,335
Net OPEB Obligation - Beginning of Year		672,355
		_____
Net OPEB Obligation - End of Year	\$	988,690

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008, 2009, and 2010 were as follows:

Fiscal Year-End	Annual OPEB Cost	Employer Contribution	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$ 439,993	\$ 85,359	19.4%	\$ 354,634
December 31, 2009	439,993	122,272	27.8	672,355
December 31, 2010	404,804	88,469	21.6	988,690

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was \$2,713,711, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,713,711. The covered payroll (annual payroll of active employees covered by the plan) was \$16,326,167, and the ratio of the UAAL to the covered payroll was 16.6 percent.

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 that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010, 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 8.5 percent initially, reduced

**CHISAGO COUNTY  
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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

by decrements to an ultimate rate of 5.0 percent over 7 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, 2010, was 27 years.

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). 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 \$450,000 per claim in 2010 and \$500,000 per claim in 2011. 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.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 2010, the County collected premiums of \$283,273 from County departments. For 2010, claims and administrative costs paid were \$292,020.

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

	Year Ended December 31	
	2010	2009
Asset (liability) at January 1	\$ (10,403)	\$ 22,348
Current year premiums	283,273	265,300
Claims payments	(292,020)	(298,051)
Asset (Liability) at December 31	\$ (19,150)	\$ (10,403)

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.

**CHISAGO COUNTY  
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5. Summary of Significant Contingencies and Other Items (Continued)

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 \$8,939,260 as of December 31, 2010.

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

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.

**CHISAGO COUNTY  
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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

East Central Solid Waste Commission (Continued)

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, 2009 (most recent figures available):

Total Assets	\$ 13,140,228
Total Liabilities	<u>3,651,459</u>
Total Net Assets	<u>\$ 9,488,769</u>
Operating and nonoperating revenues	\$ 4,539,000
Operating and nonoperating expenses	<u>5,284,186</u>
Change in Net Assets	<u>\$ (745,186)</u>

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 (most recent figures available), 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.

**CHISAGO COUNTY  
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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 through tenant rentals and user charges. The HRA-EDA's basic financial statements are presented on the accrual basis of accounting.

**CHISAGO COUNTY  
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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

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, entitlement, 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 revenue 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 of proprietary funds are tenant rent and HRA-EDA contributions. Operating expenses for proprietary funds include the cost of housing assistance payments,

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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

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 received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less;
- c. general obligations of a state or local government with taxing powers rated "A" or better, revenue obligations rated "AA" or better;
- d. general obligations of the Minnesota Housing Finance Agency rated "A" or better;
- e. bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;

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CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Net Assets

Deposits and Investments (Continued)

- f. commercial paper issued by United States 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.

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.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Net Assets (Continued)

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.

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

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Net Assets (Continued)

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.

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 which are members of the Federal Reserve System.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments

Deposits (Continued)

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 Bank 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.

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 that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments

Deposits (Continued)

At December 31, 2010, the HRA-EDA's carrying amount of deposits was \$1,136,578, and the bank balance was \$1,148,708, 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, 2010, the HRA-EDA had the following investments:

<u>Type of Investment</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 Obligation Fund	AAA	Less than 6 months	\$ 566,282

(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.

A reconciliation of cash and temporary investments as shown on the statement of net assets as of December 31, 2010, for the HRA-EDA follows:

Carrying amount of deposits	\$ 1,136,578
Investments	566,282
Cash on hand	29
<b>Total</b>	<b>\$ 1,702,889</b>
Cash and investments	
Cash - unrestricted	\$ 1,085,702
Cash with escrow agent	566,282
Cash - tenant security deposits	50,905
<b>Total</b>	<b>\$ 1,702,889</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments

Investments (Continued)

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.
- 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.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

B. Detailed Notes on all Funds (Continued)

2. Receivables

Loans Receivable

The HRA-EDA partnered with the City of Taylors Falls to assist with its redevelopment project located at the MNDOT facility. The City has purchased the property from MNDOT in exchange for a long-term lease of a new facility to be located on City Hall property to house State equipment and supplies. The HRA-EDA Board approved a \$175,000 no-interest loan to cover the costs of the new facility. The City will reimburse the HRA-EDA in \$5,000 increments for five years starting in 2011. All net proceeds of subsequent sale of parcels of the redevelopment property shall be applied towards the loan. The loan must be fully repaid by December 31, 2020. The HRA-EDA disbursed \$159,396 in 2010, and the remainder will be disbursed in 2011. The following is a schedule of future loan receivable payments.

<u>Year Ending December 31</u>	<u>Loan Receivable</u>
2011	\$ 5,000
2012	5,000
2013	5,000
2014	5,000
2015	5,000
2020	<u>134,396</u>
Total	<u>\$ 159,396</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

B. Detailed Notes on All Funds

2. Receivables (Continued)

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
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	305,000	223,380	528,380
2016 - 2020	1,775,000	878,404	2,653,404
2021 - 2025	2,300,000	373,104	2,673,104
2026	265,000	6,824	271,824
Total	\$ 5,745,000	\$ 2,499,578	\$ 8,244,578
Less: cash with escrow agent	(566,282)		
Lease Receivable, December 31, 2010	\$ 5,178,718		

Accounts Receivable/Due from Other Governments

As of December 31, 2010, the HRA-EDA had \$5,287 due from other governments consisting of taxes due from Chisago County. Accounts receivable at year-end were \$2,945.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
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	-	3,463	24,468
Improvements	79,949	5,370	655	84,664
Total capital assets depreciated	\$ 6,370,379	\$ 5,370	\$ 4,118	\$ 6,371,631
Less: accumulated depreciation for				
Buildings	\$ 808,899	\$ 137,674	\$ -	\$ 946,573
Furniture, equipment, and machinery	20,985	2,101	3,117	19,969
Improvements	29,637	12,110	295	41,452
Total accumulated depreciation	\$ 859,521	\$ 151,885	\$ 3,412	\$ 1,007,994
Total capital assets depreciated, net	\$ 5,510,858	\$ (146,515)	\$ 706	\$ 5,363,637
Total Capital Assets, Net	<u>\$ 5,754,039</u>	<u>\$ (146,515)</u>	<u>\$ 706</u>	<u>\$ 5,606,818</u>

Depreciation expense was charged as follows:

Housing and Economic Development	<u>\$ 151,885</u>
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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

4. Construction Commitments

The HRA-EDA had the following construction commitments at December 31, 2010:

Project	Spent-to-Date	Remaining Commitment
Rush City Senior Townhouse Development	\$ 91,892	\$ 188,708

5. Long-Term Debt

General Obligation Bonds

General obligation bonds outstanding as of December 31, 2010, 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	\$ 2,110,000
G.O. Public Project Revenue Bonds Library Lease Obligation, Series 2004A	6,740,000	4.13 - 5.15	08/01/2004	02/01/2026	5,745,000
G.O. Housing Development Bonds, Series 2003C	2,000,000	4.00 - 5.00	09/01/2003	01/01/2033	1,810,000
Total General Obligation Bonds					\$ 9,665,000

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

5. Long-Term Debt

General Obligation Bonds (Continued)

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

<u>Year Ending December 31</u>	<u>G.O. Bonds Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 255,000	\$ 358,848	\$ 613,848
2012	395,000	432,988	827,988
2013	410,000	416,555	826,555
2014	430,000	398,991	828,991
2015	455,000	379,940	834,940
2016 - 2020	2,590,000	1,564,646	4,154,646
2021 - 2025	3,315,000	860,970	4,175,970
2026 - 2030	1,125,000	267,429	1,392,429
2031 - 2035	690,000	64,079	754,079
Total	<u>\$ 9,665,000</u>	<u>\$ 4,744,446</u>	<u>\$ 14,409,446</u>

Taxable Revenue Bonds

Taxable revenue bonds outstanding as of December 31, 2010, are as follows:

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate (%)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Ending Balance</u>
Taxable Revenue Bonds, Series 2006A	\$ 1,200,000	7.75	11/28/2006	01/01/2017	<u>\$ 1,094,752</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

5. Long-Term Debt

Taxable Revenue Bonds (Continued)

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

Year Ending December 31	Taxable Revenue Bonds Business-Type Activities		
	Principal	Interest	Total
2011	\$ 16,848	\$ 42,657	\$ 59,505
2012	34,739	84,271	119,010
2013	37,751	81,260	119,011
2014	40,775	78,235	119,010
2015	44,042	74,968	119,010
2016 - 2017	920,597	106,222	1,026,819
Total	<u>\$ 1,094,752</u>	<u>\$ 467,613</u>	<u>\$ 1,562,365</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, 2010, no amount had been issued. The issuance period for the bond expires January 11, 2011, and the HRA-EDA will not draw on the funds.

Note Payable

In 2006, the HRA-EDA entered into an interest-only loan with Chisago County. The note payable outstanding as of December 31, 2010, 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>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

5. Long-Term Debt

Note Payable (Continued)

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
2011	\$ -	\$ 37,500	\$ 37,500
2012	-	37,500	37,500
2013	-	37,500	37,500
2014	-	37,500	37,500
2015	-	37,500	37,500
2016 - 2020	-	187,500	187,500
2021 - 2025	-	187,500	187,500
2026	1,000,000	37,500	1,037,500
Total	\$ 1,000,000	\$ 600,000	\$ 1,600,000

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, 2010, 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	\$ 176,727
Mortgage 02	45,896	3.000	03/05/1968	03/05/2018	21,883
Mortgage 03	382,434	7.250	06/30/1993	06/30/2043	355,935
Total Mortgages Payable					\$ 554,545

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

5. Long-Term Debt

Mortgages Payable (Continued)

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
2011	\$ 9,804	\$ 38,785	\$ 48,589
2012	10,479	38,173	48,652
2013	11,133	37,520	48,653
2014	11,831	36,822	48,653
2015	12,577	130,478	143,055
2016 - 2020	66,373	167,636	234,009
2021 - 2025	84,473	141,977	226,450
2026 - 2030	113,767	105,735	219,502
2031 - 2035	69,402	73,239	142,641
2036 - 2040	99,616	43,025	142,641
2041 - 2043	65,090	6,262	71,352
Total	<u>\$ 554,545</u>	<u>\$ 819,652</u>	<u>\$ 1,374,197</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 10,030,000	\$ -	\$ 365,000	\$ 9,665,000	\$ 255,000
Taxable revenue bonds	1,125,911	-	31,159	1,094,752	16,848
Notes payable	1,000,000	-	-	1,000,000	-
Mortgages payable	563,839	-	9,294	554,545	9,804
Compensated absences	41,587	19,050	14,355	46,282	23,141
Less: discount	(236,323)	-	(10,392)	(225,931)	(10,392)
Total	<u>\$ 12,525,014</u>	<u>\$ 19,050</u>	<u>\$ 409,416</u>	<u>\$ 12,134,648</u>	<u>\$ 294,401</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures (Continued)

C. Other Information

1. 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.

2. 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.

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, 2010, was \$127,570. The HRA-EDA made contributions into the Plan of \$6,378, \$6,142, and \$6,102 for the years ended December 31, 2010, 2009, and 2008, respectively.

As of December 31, 2010, the Plan held no securities issued by the HRA-EDA or other related parties.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

C. Other Information (Continued)

3. Commitments and Contingencies - Joint Agreements

Rush City Senior Townhome Agreement

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 to be reimbursed upon the sale. The City owns the lots and will be reimbursed upon sale. There were no sales in 2010. The Board authorized the completion of exterior brick work on the unfinished townhomes. The contractor was informed that no further work may be completed without HRA-EDA consent.

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 to date there have been no draws on these funds. The issuance period for this bond expires on January 11, 2011, and the HRA-EDA will not use the funds.

Due to the housing market, the townhomes were offered at a sale price. Since no offers were received, the HRA-EDA decided to allow the two units to be rented. The units were marketed for rent, and both units were occupied in November 2011. One unit expressed interest in purchasing the townhome within six months, at the sale price.

Small Business Development Center

The HRA-EDA partnered with Central Lakes College to open a Small Business Development Center to provide services to County businesses. The Board approved the required financial contribution of \$4,000 per year plus in-kind contributions for a three-year period beginning in 2011. The Executive Director of the HRA-EDA will provide counseling services, and the HRA-EDA will be reimbursed at the rate of \$40 per hour.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

C. Other Information (Continued)

4. Related Parties

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

The HRA-EDA maintains financial accounts and 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.

The HRA-EDA occasionally holds meetings and seminars at the AmericInn located in North Branch, Minnesota. Jack Juve, Board Director, has an interest in the hotel and will abstain from any action relating to conference space being leased at the hotel.

5. Subsequent Events

The HRA-EDA was awarded a grant of \$150,000 from the Minnesota Department of Commerce to be used for the development of a bio-energy facility. The HRA-EDA received \$60,000 for Phase I of the grant, which was completed in October 2010. In April 2011, the HRA-EDA Board approved returning the unused grant funds for Phase II of the project in the amount of \$90,000.

In April 2011, the HRA-EDA Board approved a payment to the Wyoming Business Park in the amount of \$174,630 to pay off the HRA-EDA's portion of the bond that was used to acquire the land. Previous payments to the Wyoming Business Park have been included in land held for resale.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

***EXHIBIT A-1***

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2010

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.

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%
January 1, 2010	-	2,713,711	2,713,711	0.00	16,326,167	16.6

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

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

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**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.

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.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Special</b>		
	<b>County Building</b>	<b>Parks</b>	<b>Ditch</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 326,156	\$ 615,741	\$ 112,991
Undistributed cash in agency funds	756	-	274
Taxes receivable			
Prior	5,573	-	-
Special assessments receivable			
Prior	-	-	632
Noncurrent	-	-	-
	<b>\$ 332,485</b>	<b>\$ 615,741</b>	<b>\$ 113,897</b>
	<b>\$ 332,485</b>	<b>\$ 615,741</b>	<b>\$ 113,897</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 8,700	\$ -	\$ -
Salaries payable	-	-	-
Due to other governments	-	-	-
Deferred revenue - unavailable	4,765	-	632
Deferred revenue - unearned	-	-	-
	<b>\$ 13,465</b>	<b>\$ -</b>	<b>\$ 632</b>
	<b>\$ 13,465</b>	<b>\$ -</b>	<b>\$ 632</b>
<b>Fund Balances</b>			
Designated for subsequent year's expenditure	\$ 319,020	\$ 615,000	\$ 111,784
Designated for cash flows	-	-	-
Undesignated	-	741	1,481
	<b>\$ 319,020</b>	<b>\$ 615,741</b>	<b>\$ 113,265</b>
	<b>\$ 319,020</b>	<b>\$ 615,741</b>	<b>\$ 113,265</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 332,485</b>	<b>\$ 615,741</b>	<b>\$ 113,897</b>

**EXHIBIT B-1**

<b>Revenue Funds</b>				
<b>Lake Improvement District</b>	<b>Solid Waste</b>	<b>Capital Equipment</b>	<b>Forfeited Tax Sale</b>	<b>Total</b>
\$ 540,551	\$ 1,097,459	\$ 1,453,745	\$ 7,252	\$ 4,153,895
1,755	2,837	1,552	-	7,174
10,990	-	46,335	-	62,898
-	17,879	-	-	18,511
15,925	-	-	-	15,925
<b>\$ 569,221</b>	<b>\$ 1,118,175</b>	<b>\$ 1,501,632</b>	<b>\$ 7,252</b>	<b>\$ 4,258,403</b>
\$ 8,627	\$ 13,332	\$ -	\$ -	\$ 30,659
69	1,565	-	-	1,634
5	331	-	7,252	7,588
9,116	17,880	44,677	-	77,070
15,925	-	-	-	15,925
<b>\$ 33,742</b>	<b>\$ 33,108</b>	<b>\$ 44,677</b>	<b>\$ 7,252</b>	<b>\$ 132,876</b>
\$ 535,479	\$ 1,085,067	\$ 114,820	\$ -	\$ 2,781,170
-	-	1,300,000	-	1,300,000
-	-	42,135	-	44,357
<b>\$ 535,479</b>	<b>\$ 1,085,067</b>	<b>\$ 1,456,955</b>	<b>\$ -</b>	<b>\$ 4,125,527</b>
<b>\$ 569,221</b>	<b>\$ 1,118,175</b>	<b>\$ 1,501,632</b>	<b>\$ 7,252</b>	<b>\$ 4,258,403</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>County Building</u>	<u>Parks</u>
<b>Revenues</b>		
Taxes	\$ 75,439	\$ -
Special assessments	-	-
Licenses and permits	-	-
Intergovernmental	4,560	-
Charges for services	-	8,000
Miscellaneous	16,597	-
	<u>16,597</u>	<u>-</u>
<b>Total Revenues</b>	<b>\$ 96,596</b>	<b>\$ 8,000</b>
<b>Expenditures</b>		
<b>Current</b>		
Sanitation	\$ -	\$ -
Culture and recreation	-	92
Conservation of natural resources	-	-
<b>Capital outlay</b>	<u>65,049</u>	<u>25,933</u>
<b>Total Expenditures</b>	<b>\$ 65,049</b>	<b>\$ 26,025</b>
<b>Excess of Revenues Over (Under)</b>		
<b>Expenditures</b>	<b>\$ 31,547</b>	<b>\$ (18,025)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	-	-
Proceeds from sale of capital assets	-	-
	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 31,547</b>	<b>\$ (18,025)</b>
<b>Fund Balance - January 1</b>	<b>287,473</b>	<b>633,766</b>
<b>Fund Balance - December 31</b>	<b>\$ 319,020</b>	<b>\$ 615,741</b>

**Special Revenue Funds**

<u>Ditch</u>	<u>Lake Improvement District</u>	<u>Solid Waste</u>	<u>Capital Equipment</u>	<u>Total</u>
\$ -	\$ 247,323	\$ -	\$ 79,718	\$ 402,480
9,416	-	242,514	-	251,930
-	-	9,620	-	9,620
-	11,580	124,500	57,595	198,235
-	-	11,028	-	19,028
-	-	23,253	-	39,850
<b>\$ 9,416</b>	<b>\$ 258,903</b>	<b>\$ 410,915</b>	<b>\$ 137,313</b>	<b>\$ 921,143</b>
\$ -	\$ -	\$ 299,758	\$ -	\$ 299,758
-	-	-	-	92
3,500	432,537	-	-	436,037
-	-	-	996,001	1,086,983
<b>\$ 3,500</b>	<b>\$ 432,537</b>	<b>\$ 299,758</b>	<b>\$ 996,001</b>	<b>\$ 1,822,870</b>
<b>\$ 5,916</b>	<b>\$ (173,634)</b>	<b>\$ 111,157</b>	<b>\$ (858,688)</b>	<b>\$ (901,727)</b>
\$ -	\$ -	\$ -	\$ 253,516	\$ 253,516
-	-	(68,500)	(59,603)	(128,103)
-	-	-	8,396	8,396
<b>\$ -</b>	<b>\$ -</b>	<b>\$ (68,500)</b>	<b>\$ 202,309</b>	<b>\$ 133,809</b>
<b>\$ 5,916</b>	<b>\$ (173,634)</b>	<b>\$ 42,657</b>	<b>\$ (656,379)</b>	<b>\$ (767,918)</b>
<b>107,349</b>	<b>709,113</b>	<b>1,042,410</b>	<b>2,113,334</b>	<b>4,893,445</b>
<b>\$ 113,265</b>	<b>\$ 535,479</b>	<b>\$ 1,085,067</b>	<b>\$ 1,456,955</b>	<b>\$ 4,125,527</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*EXHIBIT B-3*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 80,000	\$ 80,000	\$ 75,439	\$ (4,561)
Intergovernmental	-	-	4,560	4,560
Miscellaneous	-	-	16,597	16,597
<b>Total Revenues</b>	<b>\$ 80,000</b>	<b>\$ 80,000</b>	<b>\$ 96,596</b>	<b>\$ 16,596</b>
<b>Expenditures</b>				
<b>Capital outlay</b>				
General government	80,000	80,000	65,049	14,951
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 31,547</b>	<b>\$ 31,547</b>
<b>Fund Balance - January 1</b>	<b>287,473</b>	<b>287,473</b>	<b>287,473</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 287,473</b>	<b>\$ 287,473</b>	<b>\$ 319,020</b>	<b>\$ 31,547</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT B-4**

**BUDGETARY COMPARISON SCHEDULE  
PARKS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 15,000	\$ 15,000	\$ 8,000	\$ (7,000)
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	\$ -	\$ -	\$ 92	\$ (92)
<b>Capital outlay</b>				
Culture and recreation	15,000	15,000	25,933	(10,933)
<b>Total Expenditures</b>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 26,025</u>	<u>\$ (11,025)</u>
<b>Net Change in Fund Balance</b>	\$ -	\$ -	\$ (18,025)	\$ (18,025)
<b>Fund Balance - January 1</b>	<u>633,766</u>	<u>633,766</u>	<u>633,766</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 633,766</u>	<u>\$ 633,766</u>	<u>\$ 615,741</u>	<u>\$ (18,025)</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*EXHIBIT B-5*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 9,500	\$ 9,500	\$ 9,416	\$ (84)
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Ditch	9,500	9,500	3,500	6,000
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,916</b>	<b>\$ 5,916</b>
<b>Fund Balance - January 1</b>	<b>107,349</b>	<b>107,349</b>	<b>107,349</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 107,349</b>	<b>\$ 107,349</b>	<b>\$ 113,265</b>	<b>\$ 5,916</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*EXHIBIT B-6*

**BUDGETARY COMPARISON SCHEDULE  
LAKE IMPROVEMENT DISTRICT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 258,453	\$ 258,453	\$ 247,323	\$ (11,130)
Intergovernmental	-	-	11,580	11,580
<b>Total Revenues</b>	<b>\$ 258,453</b>	<b>\$ 258,453</b>	<b>\$ 258,903</b>	<b>\$ 450</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Lake Improvement District	258,453	238,453	432,537	(194,084)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 20,000</b>	<b>\$ (173,634)</b>	<b>\$ (193,634)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	(20,000)	-	20,000
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (173,634)</b>	<b>\$ (173,634)</b>
<b>Fund Balance - January 1</b>	<b>709,113</b>	<b>709,113</b>	<b>709,113</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 709,113</b>	<b>\$ 709,113</b>	<b>\$ 535,479</b>	<b>\$ (173,634)</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*EXHIBIT B-7*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 216,801	\$ 216,801	\$ 242,514	\$ 25,713
Licenses and permits	7,000	7,000	9,620	2,620
Intergovernmental	144,486	144,486	124,500	(19,986)
Charges for services	14,500	14,500	11,028	(3,472)
Miscellaneous	-	-	23,253	23,253
<b>Total Revenues</b>	<b>\$ 382,787</b>	<b>\$ 382,787</b>	<b>\$ 410,915</b>	<b>\$ 28,128</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Recycling	\$ 156,990	\$ 156,990	\$ 150,913	\$ 6,077
Hazardous waste	174,842	174,842	148,845	25,997
<b>Total Expenditures</b>	<b>\$ 331,832</b>	<b>\$ 331,832</b>	<b>\$ 299,758</b>	<b>\$ 32,074</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 50,955</b>	<b>\$ 50,955</b>	<b>\$ 111,157</b>	<b>\$ 60,202</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(68,500)	(68,500)	(68,500)	-
<b>Net Change in Fund Balance</b>	<b>\$ (17,545)</b>	<b>\$ (17,545)</b>	<b>\$ 42,657</b>	<b>\$ 60,202</b>
<b>Fund Balance - January 1</b>	<b>1,042,410</b>	<b>1,042,410</b>	<b>1,042,410</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,024,865</b>	<b>\$ 1,024,865</b>	<b>\$ 1,085,067</b>	<b>\$ 60,202</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*EXHIBIT B-8*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL EQUIPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 59,603	\$ 59,603	\$ 79,718	\$ 20,115
Intergovernmental	-	66,000	57,595	(8,405)
<b>Total Revenues</b>	<b>\$ 59,603</b>	<b>\$ 125,603</b>	<b>\$ 137,313</b>	<b>\$ 11,710</b>
<b>Expenditures</b>				
<b>Debt service</b>	\$ 59,603	\$ 59,603	-	\$ 59,603
<b>Capital outlay</b>				
General government	-	843,713	728,893	114,820
Public safety	-	253,516	208,334	45,182
Economic development	-	66,000	58,774	7,226
<b>Total Expenditures</b>	<b>\$ 59,603</b>	<b>\$ 1,222,832</b>	<b>\$ 996,001</b>	<b>\$ 226,831</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ (1,097,229)</b>	<b>\$ (858,688)</b>	<b>\$ 238,541</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 253,516	\$ 253,516	\$ -
Transfers out	-	-	(59,603)	(59,603)
Proceeds from sale of capital assets	-	-	8,396	8,396
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 253,516</b>	<b>\$ 202,309</b>	<b>\$ (51,207)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (843,713)</b>	<b>\$ (656,379)</b>	<b>\$ 187,334</b>
<b>Fund Balance - January 1</b>	<b>2,113,334</b>	<b>2,113,334</b>	<b>2,113,334</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,113,334</b>	<b>\$ 1,269,621</b>	<b>\$ 1,456,955</b>	<b>\$ 187,334</b>

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**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.

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*EXHIBIT C-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>EMPLOYEE RECOGNITION</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 2,733	\$ 864	\$ 485	\$ 3,112
<b><u>Liabilities</u></b>				
Accounts payable	\$ 2,733	\$ 864	\$ 485	\$ 3,112
 <b><u>FLEXIBLE BENEFITS PLAN</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 53,447	\$ 123,815	\$ 138,206	\$ 39,056
<b><u>Liabilities</u></b>				
Deferred benefits	\$ 53,447	\$ 123,815	\$ 138,206	\$ 39,056
 <b><u>REGION 7E</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 81,018	\$ 81,018	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 81,018	\$ 81,018	\$ -

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

***EXHIBIT C-1  
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>SCHOOL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 16,624,686	\$ 16,624,686	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 16,624,686	\$ 16,624,686	\$ -
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 709,936	\$ 74,146,940	\$ 74,308,022	\$ 548,854
<b><u>Liabilities</u></b>				
Unapportioned taxes	\$ -	\$ 339,658	\$ 339,658	\$ -
Unapportioned special assessments	-	3,567	3,567	-
Due to other governments	709,936	73,803,715	73,964,797	548,854
<b>Total Liabilities</b>	<b>\$ 709,936</b>	<b>\$ 74,146,940</b>	<b>\$ 74,308,022</b>	<b>\$ 548,854</b>
 <b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 25,290,248	\$ 25,290,248	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 25,290,248	\$ 25,290,248	\$ -

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT C-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 243,180</u>	<u>\$ 1,802,858</u>	<u>\$ 1,827,618</u>	<u>\$ 218,420</u>
<b><u>Liabilities</u></b>				
Unapportioned taxes	\$ -	\$ 33,185	\$ 33,185	\$ -
Due to other governments	<u>243,180</u>	<u>1,769,673</u>	<u>1,794,433</u>	<u>218,420</u>
<b>Total Liabilities</b>	<u><b>\$ 243,180</b></u>	<u><b>\$ 1,802,858</b></u>	<u><b>\$ 1,827,618</b></u>	<u><b>\$ 218,420</b></u>
 <b><u>LOCAL COLLABORATIVES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 46,156</u>	<u>\$ 108,887</u>	<u>\$ 17,867</u>	<u>\$ 137,176</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 46,156</u>	<u>\$ 108,887</u>	<u>\$ 17,867</u>	<u>\$ 137,176</u>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 1,055,452</u>	<u>\$ 118,179,316</u>	<u>\$ 118,288,150</u>	<u>\$ 946,618</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 2,733	\$ 864	\$ 485	\$ 3,112
Unapportioned taxes	-	372,843	372,843	-
Unapportioned special assessments	-	3,567	3,567	-
Deferred benefits	53,447	123,815	138,206	39,056
Due to other governments	<u>999,272</u>	<u>117,678,227</u>	<u>117,773,049</u>	<u>904,450</u>
<b>Total Liabilities</b>	<u><b>\$ 1,055,452</b></u>	<u><b>\$ 118,179,316</b></u>	<u><b>\$ 118,288,150</b></u>	<u><b>\$ 946,618</b></u>

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## **SUPPORTING SCHEDULES**

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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

	<u>Assets</u>			<u>Total</u>
	<u>Cash</u>	<u>Special Assessments Receivable</u>		
		<u>Unapportioned</u>	<u>Delinquent</u>	
<b>Judicial Ditch</b>				
2	\$ (33)	\$ -	\$ -	\$ (33)
<b>County Ditches</b>				
1	(395)	-	-	(395)
2	9,187	3	33	9,223
3	4,885	133	38	5,056
4	4,056	1	1	4,058
5	32,937	-	-	32,937
6	12,146	-	48	12,194
7	8,327	18	38	8,383
8	2,559	69	16	2,644
9	7,903	17	389	8,309
10	25,110	13	62	25,185
11	(59)	-	-	(59)
14	6,368	20	7	6,395
<b>Total</b>	<b><u>\$ 112,991</u></b>	<b><u>\$ 274</u></b>	<b><u>\$ 632</u></b>	<b><u>\$ 113,897</u></b>

**EXHIBIT D-1**

<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)
33	9,031	159	9,190	9,223
38	4,951	67	5,018	5,056
1	3,973	84	4,057	4,058
-	32,251	686	32,937	32,937
48	11,940	206	12,146	12,194
38	8,208	137	8,345	8,383
16	2,589	39	2,628	2,644
389	7,920	-	7,920	8,309
62	24,660	463	25,123	25,185
-	-	(59)	(59)	(59)
7	6,262	126	6,388	6,395
<u>\$ 632</u>	<u>\$ 111,784</u>	<u>\$ 1,481</u>	<u>\$ 113,265</u>	<u>\$ 113,897</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT D-2**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**Shared Revenue**

**State**

Highway users tax	\$	7,995,610
Market value credit		990,155
Market value credit - mobile home		25,256
PERA rate reimbursement		48,855
Disparity reduction aid		4,362
County program aid		1,543,611
Police aid		262,528
E-911		125,400

**Total shared revenue** **\$ 10,995,777**

**Reimbursement for Services**

**State**

Minnesota Department of Trial Courts	\$	89,896
Minnesota Department of Human Services		1,076,896

**Total reimbursement for services** **\$ 1,166,792**

**Payments**

**Local**

Payments in lieu of taxes	\$	595,563
Economic development		6,000

**Total local payments** **\$ 601,563**

**Grants**

**State**

Minnesota Department/Board of		
Corrections	\$	289,437
Public Safety		61,069
Transportation		256,140
Health		767,128
Natural Resources		41,024
Human Services		1,430,873
Water and Soil Resources		381,452
Peace Officer Standards and Training Board		14,340
Pollution Control Agency		145,862

**Total state** **\$ 3,387,325**

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT D-2  
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 445,442
Justice	36,395
Transportation	1,755,356
Health and Human Services	2,668,193
Homeland Security	62,496
	<hr/>
<b>Total federal</b>	<b>\$ 4,967,882</b>
	<hr/>
<b>Total state and federal grants</b>	<b>\$ 8,355,207</b>
	<hr/>
<b>Total Intergovernmental Revenue</b>	<b>\$ 21,119,339</b>
	<hr/> <hr/>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT D-3**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 159,250
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	279,569
State Administrative Matching Grants for SNAP - ARRA	10.561	6,623
		<u>6,623</u>
<b>Total U.S. Department of Agriculture</b>		<b>\$ 445,442</b>
<b>U.S. Department of Justice</b>		
Direct		
Bulletproof Vest Partnership Program	16.607	\$ 558
State Criminal Alien Assistance Program	16.606	4,115
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government - ARRA	16.804	18,081
Passed Through Minnesota Department of Public Safety Juvenile Accountability Block Grants	16.523	11,195
Law Enforcement Assistance Narcotics and Dangerous Drugs Training	16.004	2,446
		<u>2,446</u>
<b>Total U.S. Department of Justice</b>		<b>\$ 36,395</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	\$ 70,183
Highway Planning and Construction - ARRA	20.205	1,180,733
Federal Transit Capital Investment Grants	20.500	285,536
State and Community Highway Safety	20.600	29,958
Passed Through Minnesota Department of Transportation via Isanti County Formula Grants for Other Than Urbanized Areas	20.509	175,954
		<u>175,954</u>
<b>Total U.S. Department of Transportation</b>		<b>\$ 1,742,364</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT D-3  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	\$ 10,826
Temporary Assistance for Needy Families (TANF)	93.558	478,998
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	891,799
Child Support Enforcement - ARRA	93.563	80,752
Refugee and Entrant Assistance	93.566	352
Child Care and Development Block Grant	93.575	17,862
Public Health Emergency Preparedness	93.069	59,212
Child Welfare Services - State Grants	93.645	28,398
Child Abuse and Neglect - State Grants	93.669	1,941
Foster Care Title IV-E	93.658	53,465
Social Services Block Grant	93.667	238,511
Chafee Foster Care Independence Program	93.674	10,585
Medical Assistance Program	93.778	698,636
Children's Health Insurance Program	93.767	418
Passed Through Minnesota Department of Health		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	52,445
Immunization - ARRA	93.712	4,653
Maternal and Child Health Services Block Grant	93.994	39,340
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 2,668,193</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	\$ 27,496
Homeland Security Grant Program	97.067	35,000
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 62,496</b>
<b>Total Federal Awards</b>		<b>\$ 4,954,890</b>

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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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, 2010. 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	\$ 4,967,882
Expenditures reported in 2009, recognized as revenue in 2010 Highway Planning and Construction (CFDA #20.205)	<u>(12,992)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u><u>\$ 4,954,890</u></u>

5. Subrecipients

The County did not pass any federal money to subrecipients during the year ended December 31, 2010.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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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.

**Other Information  
Section**

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*EXHIBIT E-1*

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

	Taxes Payable in Year					
	2009		2010		2011	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real property	\$ 54,984,566		\$ 53,186,963		\$ 48,624,515	
Personal property	789,043		818,933		959,908	
<b>Total Tax Capacity</b>	<b>\$ 55,773,609</b>		<b>\$ 54,005,896</b>		<b>\$ 49,584,423</b>	
<b>Taxes Levied for County Purposes</b>						
County Revenue	\$ 13,277,177	24.282	\$ 14,739,169	27.859	\$ 15,575,958	32.089
Road and Bridge	5,739,650	10.497	5,787,556	10.939	5,636,369	11.612
Road and Bridge Bonds	2,979,229	5.423	3,083,806	5.794	2,811,322	5.748
Human Services	6,578,428	12.031	6,010,004	11.359	5,625,357	11.589
Building Repair	80,000	0.146	80,000	0.151	80,000	0.165
Building Repair Bonds	91,600	0.167	89,200	0.168	94,211	0.193
Regional Library*	575,000	1.068	550,000	1.055	534,198	1.117
Library Bonds	531,813	0.988	531,706	1.020	526,447	1.101
Capital Equipment	1,255,000	2.295	59,603	0.113	59,603	0.123
Jail Capital Projects	-	-	169,000	0.317	94,043	0.192
Capital Equipment Notes	212,100	0.386	211,500	0.397	288,916	0.591
Health and Human Services						
Building Bonds	97,670	0.178	97,670	0.184	97,670	0.199
<b>Total Levy for County Purposes</b>	<b>\$ 31,417,667</b>	<b>57.461</b>	<b>\$ 31,409,214</b>	<b>59.356</b>	<b>\$ 31,424,094</b>	<b>64.719</b>
<b>Less Credits Payable by State</b>	<b>1,574,685</b>		<b>1,596,856</b>		<b>1,756,581</b>	
<b>Net Levy for County Purposes</b>	<b>\$ 29,842,982</b>		<b>\$ 29,812,358</b>		<b>\$ 29,667,513</b>	
<b>Market Value - Light and Power</b>						
Transmission lines	\$ 4,535,200		\$ 4,467,700		\$ 4,765,500	
Distribution lines	970,200		955,600		1,019,600	
<b>Total Market Value - Light and Power</b>	<b>\$ 5,505,400</b>		<b>\$ 5,423,300</b>		<b>\$ 5,785,100</b>	

\*Levy applies to selected areas only.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*EXHIBIT E-1  
(Continued)*

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

	Taxes Payable in Year					
	2009		2010		2011	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity - Light and Power</b>						
Transmission lines	\$ 90,704		\$ 89,354		\$ 95,310	
Distribution lines	19,404		19,112		20,392	
<b>Total Tax Capacity - Light and Power</b>	<b>\$ 90,704</b>		<b>\$ 89,354</b>		<b>\$ 95,310</b>	
<b>Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)</b>						
Transmission lines - market value	\$ 3,509	0.07738	\$ 3,551	0.07948	\$ 4,191	0.08795
Distribution lines - market value	751	0.07738	760	0.07948	897	0.08795
Transmission lines - tax capacity	104,129	114.799	106,969	119.713	124,548	130.677
Distribution lines - tax capacity	22,276	114.799	22,880	119.713	26,648	130.677
<b>Total Light and Power Tax Levies</b>	<b>\$ 130,665</b>		<b>\$ 134,160</b>		<b>\$ 156,284</b>	
<b>Special Assessments</b>						
Ditch liens, fees, and assessments	<b>\$ 259,473</b>		<b>\$ 268,515</b>		<b>\$ 271,620</b>	
<b>Percentage of Tax Collections for All Purposes</b>	<b>94.41%</b>		<b>95.60%</b>			



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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

- A. Our report expresses unqualified opinions on the basic financial statements of Chisago County.
- B. Significant 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 That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for 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
Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Highway Planning and Construction - ARRA	CFDA #20.205

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, Payroll, 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.*

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.*

PREVIOUSLY REPORTED ITEMS RESOLVED

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

The Income Maintenance Division had no documented process for creating new vendors in the accounting system.

**Resolution**

A process for creating new vendors is now in place.

**Segregation of Duties - Payroll (09-1)**

There was no review of the changes made to the payroll system master file by someone independent of the payroll processing function.

**Resolution**

The County Administrator is now reviewing payroll reports for reasonableness and accuracy of adjustments each pay period.

**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 is developing a policy and associated manual on contracts that will include standardized contract forms for use by staff. The standardized contracts will include the necessary statutory requirements contained in Minn. Stat. § 471.425, subd. 4a.*

##### B. OTHER ITEM FOR CONSIDERATION

###### GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Chisago County for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and 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 are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with 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.

The County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the Chisago County Board of Commissioners intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

## 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 the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources, and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are generally that the restricted or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.

The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;
- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
  - if yes, the fund may continue to be classified as a special revenue fund;
  - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at: [http://www.auditor.state.mn.us/other/Statements/fundbalances\\_postGASB54\\_1012\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf).

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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, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 21, 2011. Our report includes 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, 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 and 07-1, 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 Political Subdivisions*, 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 Political Subdivisions* 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 we are reporting it 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*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 21, 2011

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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 THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Chisago County

### Compliance

We have audited Chisago County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

### 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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 21, 2011