

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**STEARNS COUNTY**  
**ST. CLOUD, MINNESOTA**

YEAR ENDED DECEMBER 31, 2007

## **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.

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Year Ended December 31, 2007**



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

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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ST. CLOUD, MINNESOTA**

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**ORGANIZATION SCHEDULE  
2007**

Office	Name	Term of Office	
		From	To
<b>Commissioners</b>			
1st District	DeWayne Mareck	March 2006	January 2009
2nd District	Mark Sakry	January 2003	January 2011
3rd District	Vince Schaefer	January 2003	January 2011
4th District	Leigh Lenzmeier	January 2005	January 2009
5th District	Don Otte*	January 2003	January 2011
<b>Officers</b>			
<b>Elected</b>			
Attorney	Janelle Kendall	January 2003	January 2011
Auditor-Treasurer	Randy Schreifels	January 2003	January 2011
County Recorder/Registrar of Titles	Diane Grundhoefer	January 2003	January 2011
Sheriff	John Sanner	January 2003	January 2011
<b>Appointed</b>			
Administrator	George Rindelaub		Indefinite
Agriculture Inspector	John Waldorf		Indefinite
Assessor	Gary Grossinger	January 2005	December 2009
Emergency Management Extension	Marvin Klug		Indefinite
Facilities Manager	Debbie Botzek-Linn		Indefinite
Highway Engineer	Ralph Braegelmann		Indefinite
Human Resources	Mitch Anderson	May 2004	May 2008
Medical Examiner	Jennifer Thorsten		Indefinite
Information Services	Dr. David Frederickson	January 2006	January 2008
Parks	George McClure		Indefinite
Environmental Service	Charles Wocken		Indefinite
Purchasing	Don Adams		Indefinite
Veterans Service Officer	Bill Davison		Indefinite
Human Services Director	Terry Ferdinandt	February 2004	March 2008
	Roma Steil		Indefinite

\*Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Stearns County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stearns County, Minnesota, as of and for the year ended December 31, 2007, including the Housing and Redevelopment Authority (HRA) of Stearns County as of and for the year ended June 30, 2007, which collectively comprise Stearns County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Stearns 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 HRA of Stearns County, 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 HRA of Stearns County, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

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

each major fund, and the aggregate remaining fund information of Stearns County as of December 31, 2007, including the HRA of Stearns County as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2008, on our consideration of Stearns County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the HRA of Stearns County, which was audited by other auditors.

*/s/Rebecca Otto*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 24, 2008

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

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2007  
(Unaudited)**

This section of Stearns County's annual financial report presents an overview and analysis of the County's financial performance during the fiscal year that ended on December 31, 2007.

**FINANCIAL HIGHLIGHTS**

- The assets of Stearns County exceeded its liabilities by \$237,341,512 (net assets). Of this amount, \$24,498,357 represents unrestricted net assets that may be used to meet the County's ongoing obligations to citizens and creditors. The unrestricted net assets increased by \$1,801,108 (7.9 percent) compared to December 31, 2006.
- The County's total net assets increased by \$7,272,304, or about 3.2 percent, over the prior year.
- As of the close of the fiscal year, Stearns County's governmental funds reported combined ending fund balances of \$44,628,985. Of this amount, \$35,215,281, or approximately 79 percent, is available for spending at the County's discretion.
- At the end of the year, unreserved fund balance for the General Fund was \$17,357,771. This is 43.8 percent of total General Fund expenditures during the year and an increase of \$4,436,011 over the fund's 2006 unreserved fund balance. At the end of 2006, the General Fund's unreserved fund balance was approximately 33.9 percent of total expenditures.
- Total bonded debt at the end of the year was \$20,488,661. In 2007, the County issued \$8,134,564 in bonds and paid \$3,240,000 of bond principal, increasing bonded debt by 31.4 percent.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts--Independent Auditor's Report; required supplementary information, which includes the Management's Discussion and Analysis (MD&A) (this section) and certain budgetary comparison schedules; the basic financial statements; and supplemental information. The basic financial statements include two kinds of statements that present different views of the County.

- The first two statements are county-wide financial statements which provide both short-term and long-term information about the County’s overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County’s operations in more detail than the county-wide statements.
- The governmental funds statements tell how basic services such as general government, human services, and highways and streets, were financed in the short term as well as what remains for future spending.
- The proprietary fund statements offer short-term and long-term financial information about activities the County operates like a business, such as loans to individuals for septic system upgrades.
- Fiduciary fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

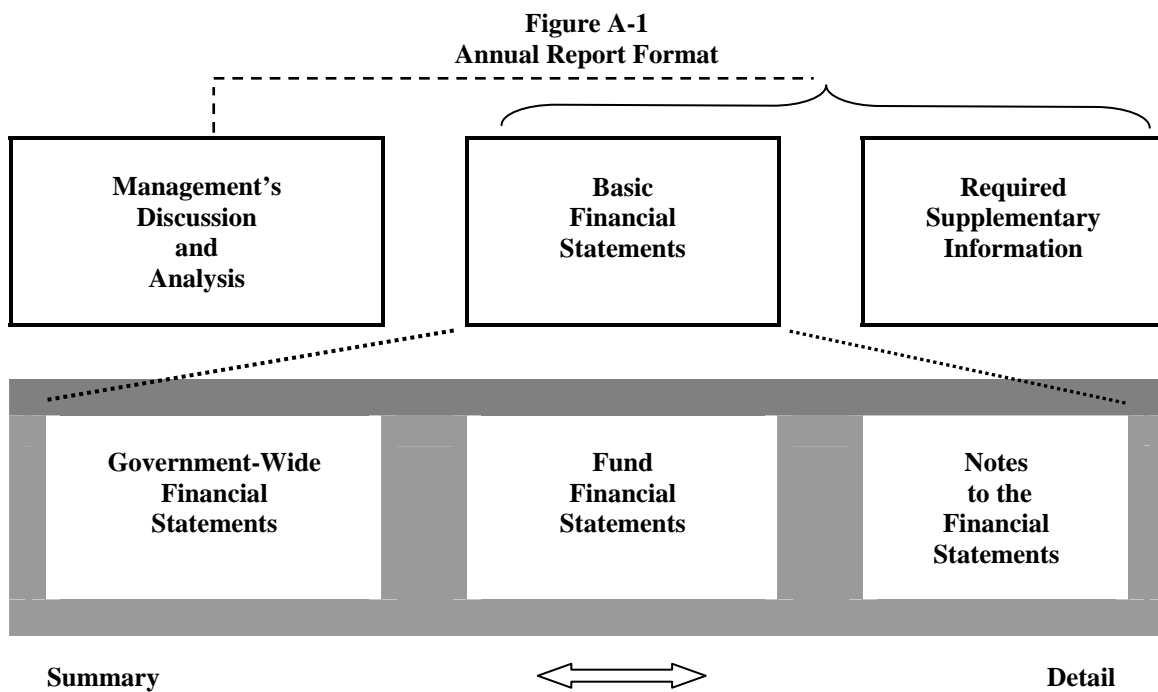


Figure A-2 summarizes the major features of the County’s financial statements, including the portion of the County’s activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and content of each of the statements.

<b>Figure A-2 Major Features of the County’s Government-Wide and Fund Financial Statements</b>				
	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire County government (except fiduciary funds) and the County’s component unit	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private business	Instances in which the County is the trustee or agent for someone else’s resources
Required financial statements	Statement of net assets and statement of activities	Balance sheet and statement of revenue, expenditures, and changes in fund balance	Statement of net assets; statement of revenues, expenses, and changes in net assets; and statement of cash flows	Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; agency funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

### **County-Wide Statements**

The county-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the County’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two county-wide statements report the County's net assets and how they have changed. Net assets--the difference between the County's assets and liabilities--are one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the County, additional non-financial factors such as changes in the County's property tax base and the condition of County buildings and other facilities need to be considered.

In the county-wide financial statements, the County's activities are shown in two categories:

- Governmental activities - The County's basic services are included here. Property taxes and state aids finance most of these activities.
- Business-type activities - Those activities are supported to a large extent by user fees and charges.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the County's funds--focusing on its most significant or "major" funds--not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The County establishes other funds to control and manage money for particular purposes (for example, repaying its long-term debts) or to show that it is properly using certain revenues (for example, federal grants).

The County has three kinds of funds:

- Governmental funds - The County's basic services are included in governmental funds, which generally focus on: (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the county-wide statements, we provide additional information after the governmental funds statements that explains the relationship (or differences) between them.

- Proprietary funds - The County maintains one type of proprietary fund, an enterprise fund. Enterprise funds are reported as business-type activities in the government-wide financial statements. Stearns County uses an enterprise fund to account for its Septic Loan Program.
- Fiduciary funds - The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the county-wide financial statements because the County cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

### Net Assets

The County's net assets were \$237,341,512 on December 31, 2007. (See Table A-1.)

	<u>2007</u>	<u>2006</u>	<u>Percent (%) Change</u>
<b>Assets</b>			
Current and other assets	\$ 58,267,720	\$ 51,697,561	12.7
Capital and noncurrent assets	<u>214,260,801</u>	<u>209,848,184</u>	2.1
<b>Total Assets</b>	<b>\$ 272,528,521</b>	<b>\$ 261,545,745</b>	<b>4.2</b>
<b>Liabilities</b>			
Current liabilities	\$ 8,529,125	\$ 9,957,552	(14.3)
Long-term liabilities	<u>26,657,884</u>	<u>21,518,985</u>	23.9
<b>Total Liabilities</b>	<b>\$ 35,187,009</b>	<b>\$ 31,476,537</b>	<b>11.8</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 204,079,975	\$ 199,938,898	2.1
Restricted	8,763,180	7,433,061	17.9
Unrestricted	<u>24,498,357</u>	<u>22,697,249</u>	7.9
<b>Total Net Assets</b>	<b>\$ 237,341,512</b>	<b>\$ 230,069,208</b>	<b>3.2</b>

## Changes in Net Assets

The county-wide total revenues were \$116,778,390 for the year ended December 31, 2007. Property taxes and intergovernmental revenues accounted for 89.0 percent of total revenue for the year. (See Table A-2.)

**Table A-2**  
**Changes in Net Assets**

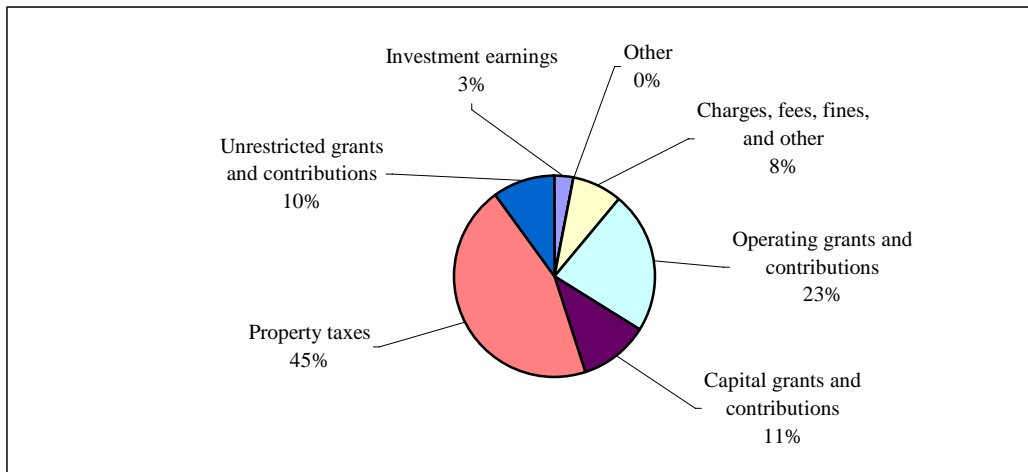
	2007	2006	Percent (%) Change
<b>Revenues</b>			
<b>Program revenues</b>			
Charges, fees, fines, and other	\$ 9,619,326	\$ 9,204,818	4.5
Operating grants and contributions	27,154,167	24,149,408	12.4
Capital grants and contributions	13,236,687	14,021,887	(5.6)
<b>General revenues</b>			
Property taxes	52,100,657	46,568,297	11.9
Unrestricted grants and contributions	11,440,168	11,209,045	2.1
Investment earnings	3,037,599	2,436,678	24.7
Other	189,786	128,831	47.3
<b>Total Revenues</b>	<b>\$ 116,778,390</b>	<b>\$ 107,718,964</b>	<b>8.4</b>
<b>Expenses</b>			
General government	\$ 16,445,738	\$ 15,648,619	5.1
Public safety	23,788,392	23,113,103	2.9
Highways and streets	28,133,321	9,949,130	182.8
Sanitation	374,560	464,559	(19.4)
Human services	29,806,635	28,609,664	4.2
Health	2,208,260	2,019,335	9.4
Culture and recreation	3,505,837	3,324,903	5.4
Conservation of natural resources	4,155,879	3,874,418	7.3
Economic development	481,410	125,373	284.0
Interest and fiscal charges on long-term liabilities	606,054	653,498	(7.3)
<b>Total Expenses</b>	<b>\$ 109,506,086</b>	<b>\$ 87,782,602</b>	<b>24.7</b>
<b>Increase in Net Assets</b>	<b>\$ 7,272,304</b>	<b>\$ 19,936,362</b>	<b>(63.5)</b>
<b>Beginning Net Assets</b>	<b>230,069,208</b>	<b>210,132,846</b>	<b>9.5</b>
<b>Ending Net Assets</b>	<b>\$ 237,341,512</b>	<b>\$ 230,069,208</b>	<b>3.2</b>

Total revenues surpassed expenses, increasing net assets \$7,272,304 over last year.

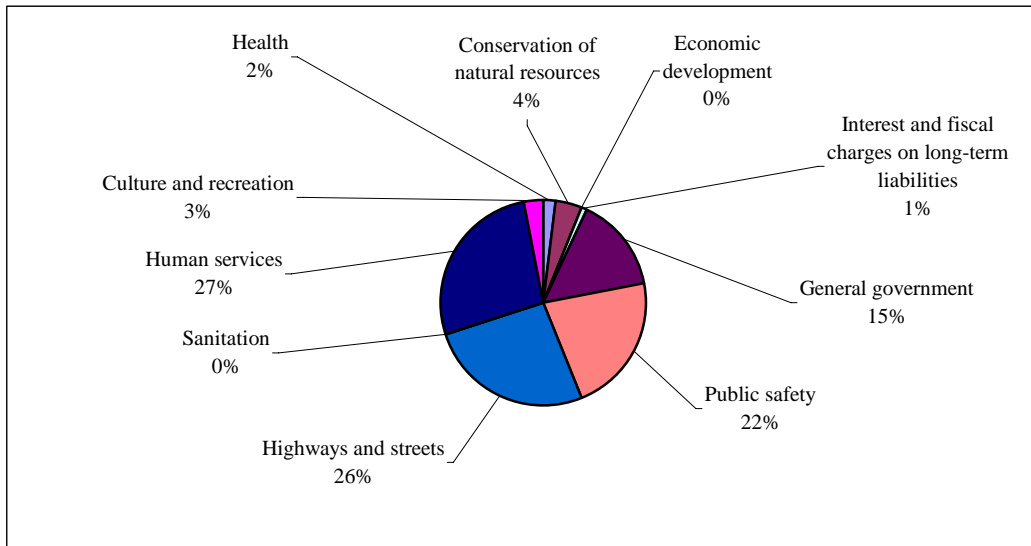
The county-wide cost of all governmental and business-type activities this year was \$109,506,086.

- Some of the cost was paid by the users of the County’s programs (\$9,619,326).
- The federal and state governments subsidized certain programs with grants and contributions (\$40,390,854).
- The remaining County costs (\$59,495,906), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$52,100,657 in property taxes, \$11,440,168 in state aid, and \$3,227,385 with investment earnings and other general revenues.

**Figure A-3  
Sources of County’s Revenues for 2007**



**Figure A-4  
Sources of County’s Expenses for 2007**



(Unaudited)

**Table A-5  
Cost of Services  
Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2007	2006	Percent (%) Change	2007	2006	Percent (%) Change
General government	\$ 16,445,738	\$ 15,648,619	5.1	\$ 11,396,698	\$ 9,692,005	17.6
Public safety	23,788,392	23,113,103	2.9	16,690,963	17,356,179	(3.8)
Highways and streets	28,133,321	9,949,130	182.8	11,052,757	(5,374,919)	305.6
Sanitation	373,940	464,559	(19.5)	(1,040,953)	(673,851)	(54.5)
Human services	29,806,635	28,609,664	4.2	13,932,148	12,667,279	10.0
Health	2,208,260	2,019,335	9.4	388,064	368,018	5.4
Culture and recreation	3,505,837	3,324,903	5.4	3,345,990	3,166,812	5.7
Conservation of natural resources	4,155,879	3,874,418	7.3	2,909,261	2,484,951	17.1
Economic development	481,410	125,373	284.0	215,311	66,517	223.7
Interest	606,054	653,498	(7.3)	606,054	653,498	(7.3)
<b>Total</b>	<b>\$ 109,505,466</b>	<b>\$ 87,782,602</b>	<b>24.7</b>	<b>\$ 59,496,293</b>	<b>\$ 40,406,489</b>	<b>47.2</b>

**FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL**

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$44,628,985. Of this amount, \$35,215,281, or approximately 79 percent, is available for spending at the County’s discretion.

Revenues for the County’s governmental funds were \$115,257,683, while total expenditures were \$118,038,712.

**General Fund**

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects.

The following schedule presents a summary of General Fund revenues:

**Table A-6  
General Fund Revenues**

Source	Year Ended December 31		Change	
	2007	2006	Increase/ (Decrease)	Percent (%) Change
Taxes	\$ 22,866,447	\$ 18,609,702	\$ 4,256,745	22.9
Intergovernmental	11,315,984	12,434,257	(1,118,273)	(9.0)
Charges for services	4,464,660	4,459,767	4,893	0.1
Investment income	2,964,109	2,383,759	580,350	24.3
Miscellaneous and other	2,716,061	2,554,302	161,759	6.3
<b>Total General Fund Revenues</b>	<b>\$ 44,327,261</b>	<b>\$ 40,441,787</b>	<b>\$ 3,885,474</b>	<b>9.6</b>



Total General Fund revenue increased by \$3,885,474, or 9.6 percent, from the previous year. The mix of property tax and state aid can change significantly from year to year without any net change in revenue.

The following schedule presents a summary of General Fund expenditures:

**Table A-7  
General Fund Expenditures**

Function	Year Ended December 31		Change	
	2007	2006	Increase/ (Decrease)	Percent (%) Change
General government	\$ 15,291,463	\$ 15,510,475	\$ (219,012)	(1.4)
Public safety	17,505,906	16,421,001	1,084,905	6.6
Culture and recreation	2,478,412	2,347,370	131,042	5.6
Conservation of natural resources	4,056,049	3,734,472	321,577	8.6
Economic development	110,083	75,373	34,710	46.1
Intergovernmental	221,327	-	221,327	n/a
<b>Total General Fund Expenditures</b>	<b>\$ 39,663,240</b>	<b>\$ 38,088,691</b>	<b>\$ 1,574,549</b>	<b>4.1</b>

### General Fund Budgetary Highlights

Over the course of the year, the County revised the annual operating budget.

- Actual revenues were \$4,454,192 more than expected.
- The actual expenditures were \$174,098 less than budget.

### CONSTRUCTION PROJECTS AND DEBT SERVICE

The Capital Projects Fund is currently being used to track the capital notes and capital improvement bonds approved by the Board over the past years. The majority of the expenditures is for the construction of various capital improvements throughout the County. An annual levy is made to fund the bond payments for all previous bond issues.

### CAPITAL ASSETS

By the end of 2007, the County had invested over \$272,000,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-8.) (More detailed information about capital assets can be found in Note 3.A.3. to the financial statements.) Total depreciation expense for the year was \$5,351,022.

**Table A-8  
Capital Assets**

	2007	2006	Percent (%) Change
Land	\$ 9,953,764	\$ 8,910,062	11.7
Construction in progress	5,407,652	955,707	465.8
Right-of-way	5,625,954	5,377,736	4.6
Infrastructure	190,404,915	187,732,413	1.4
Buildings	44,673,748	44,592,053	0.2
Machinery, furniture, and equipment	16,554,547	16,050,364	3.1
Less: accumulated depreciation	<u>(58,359,779)</u>	<u>(53,770,151)</u>	(8.5)
 Total	 <u>\$ 214,260,801</u>	 <u>\$ 209,848,184</u>	 2.1

**LONG-TERM LIABILITIES**

At year-end, the County had \$26,657,884 in long-term liabilities outstanding. The current portion of these liabilities is \$3,792,910.

**Table A-9  
Long-Term Liabilities**

	2007	2006	Increase/ (Decrease)	Percent (%) Change
General obligation bonds and notes payable	\$ 12,242,209	\$ 15,144,613	\$ (2,902,404)	(19.2)
Revenue bonds payable	8,246,452	451,888	7,794,564	1,724.9
Loans payable	25,000	25,000	-	-
Compensated absences payable	<u>6,144,223</u>	<u>5,897,484</u>	<u>246,739</u>	4.2
 Total	 <u>\$ 26,657,884</u>	 <u>\$ 21,518,985</u>	 <u>\$ 5,138,899</u>	 23.9

**FACTORS BEARING ON THE COUNTY'S FUTURE**

The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the Legislature may decrease revenues again.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Jim Stegura, Financial Manager, at 320-656-3914, or Randy Schreifels, County Auditor-Treasurer, at 320-656-3901.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Housing and Redevelopment Authority of Stearns County</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 47,087,264	\$ -	\$ 47,087,264	\$ 1,231,212
Petty cash and change funds	10,120	-	10,120	-
Departmental cash	2,500	-	2,500	-
Cash with fiscal agent	896,452	-	896,452	-
Taxes receivable delinquent	1,167,469	-	1,167,469	165,843
Special assessments receivable				
Delinquent	65,778	-	65,778	-
Deferred	806,949	-	806,949	-
Accounts receivable - net	427,048	-	427,048	1,133
Accrued interest receivable	171,487	-	171,487	5,017
Loans receivable	277,114	34,303	311,417	1,585,489
Internal balances	33,916	(33,916)	-	-
Due from other governments	6,769,483	-	6,769,483	195,613
Inventories	492,160	-	492,160	-
Prepaid items	1,823	-	1,823	18,350
Deferred charges	57,770	-	57,770	69,786
Restricted assets				
Cash and pooled investments	-	-	-	958,524
Capital assets				
Non-depreciable	20,987,370	-	20,987,370	634,738
Depreciable - net of accumulated depreciation	193,273,431	-	193,273,431	3,548,454
<b>Total Assets</b>	<b>\$ 272,528,134</b>	<b>\$ 387</b>	<b>\$ 272,528,521</b>	<b>\$ 8,414,159</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 3,050,931	\$ -	\$ 3,050,931	\$ 187,278
Salaries payable	2,816,676	-	2,816,676	29,323
Contracts payable	1,174,122	-	1,174,122	-
Due to other governments	855,526	-	855,526	-
Accrued interest payable	108,709	-	108,709	44,016
Unearned revenue	523,161	-	523,161	-
Noncurrent liabilities				
Due within one year	3,792,910	-	3,792,910	1,042,402
Due in more than one year	22,864,974	-	22,864,974	1,884,040
<b>Total Liabilities</b>	<b>\$ 35,187,009</b>	<b>\$ -</b>	<b>\$ 35,187,009</b>	<b>\$ 3,187,059</b>

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

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Housing and Redevelopment Authority of Stearns County</b>
<b><u>Net Assets</u></b>				
Invested in capital assets - net of related debt	\$ 204,079,975	\$ -	\$ 204,079,975	\$ 2,293,013
Restricted for				
General government	184,016	-	184,016	-
Public safety	506,426	-	506,426	-
Highways and streets	566,468	-	566,468	-
Sanitation	57,339	-	57,339	-
Conservation of natural resources	144,641	-	144,641	-
Economic development	762,073	-	762,073	-
Debt service	6,542,217	-	6,542,217	63,258
Future projects	-	-	-	284,175
Unrestricted	24,497,970	387	24,498,357	2,586,654
<b>Total Net Assets</b>	<b>\$ 237,341,125</b>	<b>\$ 387</b>	<b>\$ 237,341,512</b>	<b>\$ 5,227,100</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>	<b>Program Revenues Operating Grants and Contributions</b>
<b><u>Functions/Programs</u></b>			
<b>Primary government</b>			
<b>Governmental activities</b>			
General government	\$ 16,445,738	\$ 4,654,869	\$ 394,171
Public safety	23,788,392	1,321,974	5,775,455
Highways and streets	28,133,321	133,190	3,710,687
Sanitation	373,940	764,902	649,991
Human services	29,806,635	1,703,644	14,170,843
Health	2,208,260	255,367	1,564,829
Culture and recreation	3,505,837	144,904	14,943
Conservation of natural resources	4,155,879	594,697	651,921
Economic development	481,410	44,772	221,327
Interest	606,054	-	-
	<b>\$ 109,505,466</b>	<b>\$ 9,618,319</b>	<b>\$ 27,154,167</b>
<b>Business-type activities</b>			
Solid waste	620	1,007	-
	<b>\$ 109,506,086</b>	<b>\$ 9,619,326</b>	<b>\$ 27,154,167</b>
<b>Component units</b>			
Housing and Redevelopment Authority of Stearns County	<b>\$ 2,825,016</b>	<b>\$ 278,409</b>	<b>\$ 2,223,114</b>

**General Revenues**

Property taxes  
Tax increments  
Gravel taxes  
Payments in lieu of tax  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Miscellaneous

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning**

**Net Assets - Ending**



**EXHIBIT 2**

<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Primary Government Business-Type Activities</b>	<b>Total</b>	<b>Component Unit Housing and Redevelopment Authority of Stearns County</b>
\$ -	\$ (11,396,698)	\$ -	\$ (11,396,698)	
-	(16,690,963)	-	(16,690,963)	
13,236,687	(11,052,757)	-	(11,052,757)	
-	1,040,953	-	1,040,953	
-	(13,932,148)	-	(13,932,148)	
-	(388,064)	-	(388,064)	
-	(3,345,990)	-	(3,345,990)	
-	(2,909,261)	-	(2,909,261)	
-	(215,311)	-	(215,311)	
-	(606,054)	-	(606,054)	
<b>\$ 13,236,687</b>	<b>\$ (59,496,293)</b>	<b>\$ -</b>	<b>\$ (59,496,293)</b>	
-	-	387	387	
<b>\$ 13,236,687</b>	<b>\$ (59,496,293)</b>	<b>\$ 387</b>	<b>\$ (59,495,906)</b>	
<b>\$ 9,437</b>				<b>\$ (314,056)</b>
	\$ 52,100,657	\$ -	\$ 52,100,657	\$ 243,528
	-	-	-	302
	17,293	-	17,293	-
	131,634	-	131,634	-
	11,440,168	-	11,440,168	346,052
	3,037,599	-	3,037,599	56,706
	40,859	-	40,859	-
	<b>\$ 66,768,210</b>	<b>\$ -</b>	<b>\$ 66,768,210</b>	<b>\$ 646,588</b>
	\$ 7,271,917	\$ 387	\$ 7,272,304	\$ 332,532
	<b>230,069,208</b>	<b>-</b>	<b>230,069,208</b>	<b>4,894,568</b>
	<b>\$ 237,341,125</b>	<b>\$ 387</b>	<b>\$ 237,341,512</b>	<b>\$ 5,227,100</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 21,317,835	\$ 2,321,541
Petty cash and change funds	9,300	-
Departmental cash	2,500	-
Cash with fiscal agent	-	-
Taxes receivable delinquent	496,317	127,795
Special assessments receivable		
Delinquent	-	-
Deferred	-	-
Accounts receivable	362,625	-
Accrued interest receivable	155,609	-
Loans receivable	-	-
Due from other funds	259	-
Due from other governments	223,530	4,247,702
Inventories	16,556	475,604
Advance to other funds	5,074	-
Prepaid items	100	-
	<b>\$ 22,589,705</b>	<b>\$ 7,172,642</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,447,449	\$ 148,722
Salaries payable	1,500,320	194,104
Contracts payable	-	1,152,047
Due to other funds	-	-
Due to other governments	832,788	-
Deferred revenue - unavailable	342,346	3,560,793
Deferred revenue - unearned	243,669	2,378
Advance from other funds	-	-
	<b>\$ 4,366,572</b>	<b>\$ 5,058,044</b>
<b>Fund Balances</b>		
Reserved (Note 3.D.)	\$ 865,362	\$ 1,042,072
Unreserved		
Designated (Note 3.D.)	16,313,803	1,072,526
Undesignated	1,043,968	-
Reported in nonmajor special revenue funds	-	-
	<b>\$ 18,223,133</b>	<b>\$ 2,114,598</b>
	<b>\$ 22,589,705</b>	<b>\$ 7,172,642</b>

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

**EXHIBIT 3**

<b>Human Services</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor Funds</b>	<b>Total</b>
\$ 12,407,604	\$ 5,607,733	\$ 1,146,069	\$ 4,286,482	\$ 47,087,264
300	-	-	520	10,120
-	-	-	-	2,500
-	896,452	-	-	896,452
417,518	106,263	-	19,576	1,167,469
-	17,343	-	48,435	65,778
-	701,309	-	105,640	806,949
17,549	-	-	46,874	427,048
-	15,878	-	-	171,487
-	-	-	277,114	277,114
-	-	-	-	259
2,292,862	498	-	4,891	6,769,483
-	-	-	-	492,160
-	-	-	33,916	38,990
1,723	-	-	-	1,823
<b>\$ 15,137,556</b>	<b>\$ 7,345,476</b>	<b>\$ 1,146,069</b>	<b>\$ 4,823,448</b>	<b>\$ 58,214,896</b>
\$ 1,279,271	\$ 834	\$ 74,820	\$ 99,835	\$ 3,050,931
1,091,687	-	-	30,565	2,816,676
-	-	22,075	-	1,174,122
259	-	-	-	259
12,966	-	-	9,772	855,526
291,886	797,351	-	167,786	5,160,162
-	-	-	277,114	523,161
-	5,074	-	-	5,074
<b>\$ 2,676,069</b>	<b>\$ 803,259</b>	<b>\$ 96,895</b>	<b>\$ 585,072</b>	<b>\$ 13,585,911</b>
\$ -	\$ 6,542,217	\$ -	\$ 964,053	\$ 9,413,704
12,461,487	-	1,049,174	-	30,896,990
-	-	-	-	1,043,968
-	-	-	3,274,323	3,274,323
<b>\$ 12,461,487</b>	<b>\$ 6,542,217</b>	<b>\$ 1,049,174</b>	<b>\$ 4,238,376</b>	<b>\$ 44,628,985</b>
<b>\$ 15,137,556</b>	<b>\$ 7,345,476</b>	<b>\$ 1,146,069</b>	<b>\$ 4,823,448</b>	<b>\$ 58,214,896</b>

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 44,628,985</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.		214,260,801
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		5,160,162
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds and bond premiums	\$ (12,242,209)	
Revenue bonds	(8,246,452)	
Loans payable	(25,000)	
Compensated absences	(6,144,223)	
Accrued interest payable	(108,709)	
Deferred debt issuance charges	57,770	(26,708,823)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b><u>\$ 237,341,125</u></b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 22,866,447	\$ 5,890,275
Special assessments	-	-
Licenses and permits	509,907	-
Intergovernmental	11,315,984	14,922,046
Charges for services	4,464,660	46,910
Fines and forfeits	142,782	-
Gifts and contributions	-	-
Investment income	2,964,109	-
Miscellaneous	2,063,372	86,280
	<b>\$ 44,327,261</b>	<b>\$ 20,945,511</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 15,291,463	\$ -
Public safety	17,505,906	-
Highways and streets	-	27,498,049
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	2,478,412	-
Conservation of natural resources	4,056,049	73,706
Economic development	110,083	-
<b>Intergovernmental</b>		
Highways and streets	-	495,662
Community development	221,327	-
<b>Capital outlay</b>	-	-
<b>Debt service</b>		
Principal	-	-
Interest	-	-
	<b>\$ 39,663,240</b>	<b>\$ 28,067,417</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 4,664,021</b>	<b>\$ (7,121,906)</b>

**EXHIBIT 5**

<b>Human Services</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor Funds</b>	<b>Total</b>
\$ 18,202,808	\$ 3,979,609	\$ -	\$ 881,107	\$ 51,820,246
-	160,644	-	625,554	786,198
-	-	-	63,481	573,388
19,858,059	794,583	2,066,599	85,822	49,043,093
1,064,551	-	-	587,983	6,164,104
-	-	-	160,436	303,218
-	-	-	8,933	8,933
-	44,627	-	45,695	3,054,431
1,216,251	-	6,757	131,412	3,504,072
<b>\$ 40,341,669</b>	<b>\$ 4,979,463</b>	<b>\$ 2,073,356</b>	<b>\$ 2,590,423</b>	<b>\$ 115,257,683</b>
\$ -	\$ 15,703	\$ -	\$ 390,688	\$ 15,697,854
5,826,185	-	-	5,864	23,337,955
-	-	-	9,985	27,508,034
-	-	-	372,998	372,998
30,869,634	-	-	37,719	30,907,353
2,221,321	-	-	-	2,221,321
-	-	-	813,345	3,291,757
-	-	-	419	4,130,174
-	-	-	150,000	260,083
-	-	-	-	495,662
-	-	-	-	221,327
-	-	5,726,784	-	5,726,784
-	3,210,000	-	30,000	3,240,000
-	625,185	-	2,225	627,410
<b>\$ 38,917,140</b>	<b>\$ 3,850,888</b>	<b>\$ 5,726,784</b>	<b>\$ 1,813,243</b>	<b>\$ 118,038,712</b>
<b>\$ 1,424,529</b>	<b>\$ 1,128,575</b>	<b>\$ (3,653,428)</b>	<b>\$ 777,180</b>	<b>\$ (2,781,029)</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 779,011	\$ 88,119
Transfers out	(806,558)	(118,867)
Bonds issued	-	8,134,564
Proceeds from sale of capital assets	47,874	-
	<u>20,327</u>	<u>8,103,816</u>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 20,327</b>	<b>\$ 8,103,816</b>
<b>Net Change in Fund Balances</b>	<b>\$ 4,684,348</b>	<b>\$ 981,910</b>
<b>Fund Balances - January 1</b>	<b>13,538,785</b>	<b>1,164,941</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(32,253)</b>
	<u>-</u>	<u>(32,253)</u>
<b>Fund Balances - December 31</b>	<b>\$ 18,223,133</b>	<b>\$ 2,114,598</b>
	<u>18,223,133</u>	<u>2,114,598</u>

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

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 616,714	\$ -	\$ 100,000	\$ 8,535	\$ 1,592,379
(651,000)	-	-	(15,954)	(1,592,379)
-	-	-	-	8,134,564
-	-	-	-	47,874
<u>\$ (34,286)</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ (7,419)</u>	<u>\$ 8,182,438</u>
\$ 1,390,243	\$ 1,128,575	\$ (3,553,428)	\$ 769,761	\$ 5,401,409
11,071,244	5,413,642	4,602,602	3,468,615	39,259,829
-	-	-	-	(32,253)
<u>\$ 12,461,487</u>	<u>\$ 6,542,217</u>	<u>\$ 1,049,174</u>	<u>\$ 4,238,376</u>	<u>\$ 44,628,985</u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 5,401,409**

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 revenue between the fund statements and the statement of activities is the increase (decrease) in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 5,160,162	
Deferred revenue - January 1	(2,550,071)	2,610,091

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

Expenditures for general capital assets and infrastructure	\$ 12,841,578	
Net book value of assets removed	(3,077,939)	
Current year depreciation	(5,351,022)	4,412,617

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

New debt issued		
Revenue bonds	\$ (8,134,564)	
Principal repayments		
General obligation bonds and notes	2,900,000	
Revenue bonds	340,000	
Current year amortization of issuance costs, discounts, and premiums	(5,543)	(4,900,107)

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

Change in accrued interest payable	\$ 26,899	
Change in compensated absences	(246,739)	
Change in inventories	(32,253)	(252,093)

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 7,271,917**

**PROPRIETARY FUND**

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STEARNS COUNTY  
ST. CLOUD, MINNESOTA

EXHIBIT 7

STATEMENT OF FUND NET ASSETS  
SEPTIC LOAN ENTERPRISE FUND  
DECEMBER 31, 2007

Assets

Noncurrent assets	
Loans receivable	\$ 34,303

Liabilities

Noncurrent liabilities	
Advance from other funds	<u>33,916</u>

Net Assets

Unrestricted	<u><u>\$ 387</u></u>
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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
SEPTIC LOAN ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Operating Revenues</b>	
Interest on loans	\$ 1,007
<b>Nonoperating Revenues (Expenses)</b>	
Interest expense	<u>(620)</u>
<b>Change in Net Assets</b>	<b>\$ 387</b>
<b>Net Assets - January 1</b>	<u>-</u>
<b>Net Assets - December 31</b>	<b><u><u>\$ 387</u></u></b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
SEPTIC LOAN ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Septic system loans made	\$ (5,564)
Interest received on loans	1,007
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (4,557)</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Advance from other funds	\$ 5,177
Interest paid	(620)
	<hr/>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ 4,557</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ -</b>
<b>Cash and Cash Equivalents at January 1</b>	<hr/> <b>-</b>
<b>Cash and Cash Equivalents at December 31</b>	<hr/> <b>\$ -</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Net operating income (loss)	\$ 1,007
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
(Increase) decrease in loans receivable	(5,564)
	<hr/>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (4,557)</b>

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**FIDUCIARY FUND**

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STEARNS COUNTY  
ST. CLOUD, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2007

	<u>Agency Fund</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ <u><u>3,009,875</u></u>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 47,534
Due to other governments	<u>2,962,341</u>
<b>Total Liabilities</b>	<b>\$ <u><u>3,009,875</u></u></b>

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise fund, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Stearns County was established February 23, 1854, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Stearns County and its component unit for which the County is financially accountable. 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.

Discrete Component Unit

The Housing and Redevelopment Authority (HRA) of Stearns County is a component unit of Stearns County and is reported in a separate column in the County's government-wide financial statements to emphasize that the HRA is legally separate from Stearns County. The HRA operates as a local governmental unit for the purpose of providing housing and redevelopment services to Stearns County. The governing body consists of a five-member Board of Commissioners appointed by the Stearns County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended June 30, 2007.

The complete financial statements of the HRA of Stearns County can be obtained by writing to the Housing and Redevelopment Authority of Stearns County, 401 West Wind Court, P. O. Box 484, Cold Spring, Minnesota 56320.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in a joint venture described in Note 4.C. The County also participates in a related organization and a jointly-governed organization described in Notes 4.D. and 4.E., respectively.

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 the primary government and its component unit. 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. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) 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 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.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. 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 the County's enterprise fund includes interest on septic system loans. Operating expenses for enterprise fund activities may include cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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, and the payment of, principal, interest, and related costs of general long-term debt.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Capital Projects Fund is used to account for the financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

The County reports the following major enterprise fund:

The Septic Loan Fund is used to account for loans issued to individuals within the County for septic system upgrades.

Additionally, the County reports the following fund type:

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. This fund accounts for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using 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. Stearns 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 long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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 Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, 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 2007 were \$2,964,109.

Cash and cash equivalents are identified only for the purpose of the statement of cash flows reporting by the proprietary fund. Pooled investments, which have the characteristics of demand deposits, are considered to be cash and cash equivalents on the statement of cash flows.

Stearns 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."

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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

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.

3. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. The inventory in the General Fund and the Road and Bridge Special Revenue Fund consists of expendable supplies held for consumption. The cost of the inventory is recorded as an expenditure at the time individual inventory items are purchased. Significant inventory balances are equally offset by reserved fund balance to indicate that they do not constitute available spendable resources.

4. Capital Assets

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

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 50
Office furniture and equipment	5 - 10
Machinery and automotive equipment	3 - 12
Infrastructure	50 - 75

5. Compensated Absences

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

6. Deferred Revenue

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.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund 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 an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. 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 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.



**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget at the function level for the year ended December 31, 2007:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
Public safety	\$ 17,505,906	\$ 17,154,742	\$ 351,164
Intergovernmental			
General government	221,327	-	221,327
Special Revenue Funds			
Road and Bridge			
Current			
Highways and streets	27,498,049	14,859,951	12,638,098
Intergovernmental			
Highways and streets	495,662	-	495,662
Human Services			
Current			
Public safety	5,826,185	5,716,878	109,307
Health	2,221,321	2,188,025	33,296
County Building			
Current			
General government	163,926	139,500	24,426
Public safety	4,525	-	4,525
Highways and streets	9,985	-	9,985
Human services	37,719	-	37,719
Law Library			
Current			
General government	226,762	206,000	20,762
Economic Development			
Current			
Economic development	150,000	70,000	80,000
Debt Service Fund			
Current			
General government	15,703	-	15,703
Debt Service			
Principal	3,210,000	2,830,000	380,000
Interest	625,185	613,885	11,300

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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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 investments	\$ 47,087,264
Petty cash and change funds	10,120
Departmental cash	2,500
Cash with fiscal agent	896,452
Statement of fiduciary net assets	
Cash and pooled investments	<u>3,009,875</u>
 Total Cash and Investments	 <u>\$ 51,006,211</u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable 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.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the County's deposits may not be returned to it.

The County's policy is to minimize custodial risk for its deposits by monitoring the collateral balances on a daily basis and obtaining monthly updates on the par and market value of collateral pledged from financial institutions. As of December 31, 2007, the County's deposits were not exposed to custodial credit risk.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (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;
- (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;

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party.

The County's policy is that all investment securities purchases by the County shall be held in safekeeping by a third-party institution designed by the County. At December 31, 2007, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County's policy is to minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**STEARNS COUNTY  
ST. CLOUD, 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. The County's policy is to minimize its exposure to interest rate risk by: (1) structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and (2) investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

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.

It is the County's policy to invest in instruments which are guaranteed or direct issues of the United States or rated in the highest quality category by at least two nationally recognized rating agencies.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2007, and information relating to potential investment risk:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Home Loan Bank	AAA	S&P		<1 year	\$ 1,848,633
Federal Home Loan Bank	AAA	S&P		1 - 3 years	2,703,966
Federal Home Loan Bank	AAA	S&P		3 - 5 years	704,592
Federal Home Loan Bank	AAA	S&P		6 - 10 years	3,148,606
Federal Home Loan Bank	AAA	S&P		>10 years	875,578
Total Federal Home Loan Bank			22.39%		\$ 9,281,375
Federal Home Loan Mortgage Corporation					
Federal Home Loan Mortgage Corporation	AAA	S&P		<1 year	\$ 350,273
Federal Home Loan Mortgage Corporation	AAA	S&P		3 - 5 years	1,008,055
Federal Home Loan Mortgage Corporation	AAA	S&P		6 - 10 years	2,821,199
Total Federal Home Loan Mortgage Corporation			10.08%		\$ 4,179,527
Federal National Mortgage Association					
Federal National Mortgage Association	AAA	S&P		3 - 5 years	\$ 30,790
Federal National Mortgage Association	AAA	S&P		6 - 10 years	751,875
Federal National Mortgage Association	AAA	S&P		>10 years	15,739
Total Federal National Mortgage Association			N/A		\$ 798,404
Government National Mortgage Association	AAA	S&P	N/A	>10 years	\$ 61,425
Total U.S. government agency securities					\$ 14,320,731
Commercial paper					
Citigroup	A1P1F1	S&P, Fitch, Moody's	9.61%	<1 year	\$ 3,986,060
Intesa Funding	A1P1	S&P, Moody's	N/A	<1 year	1,991,917
Market Street Funding	A1P1	S&P, Moody's	N/A	<1 year	1,995,220
Mitsui	A1P1	S&P, Moody's	5.06%	<1 year	2,097,292
San Paolo	A1P1F1	S&P, Fitch, Moody's	15.62%	<1 year	6,477,987
USB Financial	A1P1	S&P, Moody's	N/A	<1 year	1,497,212
Total commercial paper					\$ 18,045,688

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable certificates of deposit	N/A	N/A		1 - 3 years	\$ 291,876
Negotiable certificates of deposit	N/A	N/A		3 - 5 years	180,512
Negotiable certificates of deposit	N/A	N/A		5 - 7 years	95,960
Total negotiable certificates of deposit			N/A		\$ 568,348
MAGIC Fund	N/A	N/A	20.56%	N/A	\$ 8,526,506
Total investments					\$ 41,461,273
Deposits					8,635,866
Petty cash and change funds					10,120
Departmental cash					2,500
Cash with fiscal agent					896,452
Total Cash and Investments - Primary Government					\$ 51,006,211

N/A - Not Applicable  
S&P - Standard & Poor's

2. Receivables

Property Taxes and Special Assessments

Property taxes and special assessments which remain unpaid at December 31 are delinquent. No allowance for uncollectible taxes/assessments has been provided because such amounts are not expected to be material.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Loans Receivable

The following economic development loans made to private enterprises under the County's economic development loan program were outstanding at December 31, 2007:

	Original Loan Amount	Balance Repaid at December 31, 2007	Outstanding Balance at December 31, 2007	Term (Years)	Interest Rate (%)
Governmental activities					
Precision Products, Inc.	\$ 50,000	\$ 5,612	\$ 44,388	10	3
Royal Tire, Inc.	125,000	77,675	47,325	20	2
Cabinet Components and Distribution Company, Inc.	55,000	45,633	9,367	10	6
Bayer Built Woodworks, Inc.	99,500	99,500	-	7	5
Wenner Gas Company	50,000	23,966	26,034	8	1
Brenny Transportation	75,000	-	75,000	10	2
Notch Manufacturing, Inc.	75,000	-	75,000	10	2
 Total Loans Receivable - Governmental Activities	 <u>\$ 529,500</u>	 <u>\$ 252,386</u>	 <u>\$ 277,114</u>		
 Business-type activities					
Septic system loans	<u>\$ 34,303</u>	<u>\$ -</u>	<u>\$ 34,303</u>	5 - 7	5 - 10
			<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Amounts expected to be collected within the year			\$ 38,068	\$ 22,386	
Amounts due in more than one year			<u>239,046</u>	<u>11,917</u>	
 Total			 <u>\$ 277,114</u>	 <u>\$ 34,303</u>	



**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 8,910,062	\$ 1,043,702	\$ -	\$ 9,953,764
Construction in progress	955,707	4,583,471	131,526	5,407,652
Right-of-way	5,377,736	248,218	-	5,625,954
Total capital assets not depreciated	<u>\$ 15,243,505</u>	<u>\$ 5,875,391</u>	<u>\$ 131,526</u>	<u>\$ 20,987,370</u>
Capital assets depreciated				
Buildings	\$ 44,592,053	\$ 81,695	\$ -	\$ 44,673,748
Machinery and automotive	10,217,381	922,531	756,025	10,383,887
Office furniture and equipment	5,832,983	350,061	12,384	6,170,660
Infrastructure	187,732,413	5,743,426	3,070,924	190,404,915
Total capital assets depreciated	<u>\$ 248,374,830</u>	<u>\$ 7,097,713</u>	<u>\$ 3,839,333</u>	<u>\$ 251,633,210</u>
Less: accumulated depreciation for				
Buildings	\$ 10,395,984	\$ 951,676	\$ -	\$ 11,347,660
Machinery and automotive	5,669,916	878,252	749,010	5,799,158
Office furniture and equipment	4,326,133	437,756	12,384	4,751,505
Infrastructure	33,378,118	3,083,338	-	36,461,456
Total accumulated depreciation	<u>\$ 53,770,151</u>	<u>\$ 5,351,022</u>	<u>\$ 761,394</u>	<u>\$ 58,359,779</u>
Total capital assets depreciated, net	<u>\$ 194,604,679</u>	<u>\$ 1,746,691</u>	<u>\$ 3,077,939</u>	<u>\$ 193,273,431</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 209,848,184</u>	<u>\$ 7,622,082</u>	<u>\$ 3,209,465</u>	<u>\$ 214,260,801</u>

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

Governmental Activities	
General government	\$ 869,411
Public safety	749,579
Highways and streets, including depreciation of infrastructure assets	3,626,979
Human services	45,840
Culture and recreation	57,136
Conservation of natural resources	2,077
Total Depreciation Expense - Governmental Activities	<u>\$ 5,351,022</u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, was as follows:

1. Due To/From Other Funds

The Human Services Special Revenue Fund owed the General Fund \$259 at December 31, 2007, for services performed by the Sheriff's Department.

2. Advance From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 5,074
Solid Waste Special Revenue Fund	Septic Loan Enterprise Fund	<u>33,916</u>
Total Advance From/To Other Funds		<u>\$ 38,990</u>

The General Fund advanced the Debt Service Fund funds for various projects undertaken by the Clearwater River Watershed District. The advance will be repaid with special assessments on the benefited properties within the Watershed District.

The Solid Waste Special Revenue Fund advanced the Septic Loan Enterprise Fund funds to finance various loans to taxpayers for updates to septic systems. The advance will be repaid from principal and interest payments on the loans.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

	Transfers In	Description
Transfers to General Fund from		
Human Services Fund	\$ 651,000	Salaries adjustment
Parks Fund	15,954	Salary adjustment
Road and Bridge Fund	21,813	Insurance premium allocation
Road and Bridge Fund	90,244	Salary adjustment
Total transfers to General Fund	\$ 779,011	
Transfers to Road and Bridge Fund from		
General Fund	\$ 38,119	Information services budget changes
General Fund	25,000	Severance payouts
General Fund	25,000	Energy costs
Total transfers to Road and Bridge Fund	\$ 88,119	
Transfers to Human Services Fund from		
General Fund	\$ 587,618	Information services budget changes
General Fund	441	Unemployment/severance adjustment
General Fund	22,136	Salary increases for jail staff
Road and Bridge Fund	6,519	Insurance premium allocation
Total transfers to Human Services Fund	\$ 616,714	
Transfers to Capital Projects Fund from		
General Fund	\$ 100,000	Year-end budget adjustment
Transfers to nonmajor governmental funds from		
General Fund	\$ 4,471	Information services budget changes
General Fund	3,233	Unemployment/severance adjustment
General Fund	540	Energy costs
Road and Bridge Fund	291	Insurance premium allocation
Total transfers to nonmajor governmental funds	\$ 8,535	
Total Interfund Transfers	\$ 1,592,379	

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2007, were as follows:

	Governmental Activities
Accounts	\$ 3,050,931
Salaries	2,816,676
Contracts	1,174,122
Due to other governments	855,526
Accrued interest	108,709
Total Payables	\$ 8,005,964

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, long-term loans receivable, and highway allotments and other revenue sources either received but unearned or not received soon enough after year-end. Deferred revenue at December 31, 2007, is summarized below by fund:

	Taxes and Special Assessments	Grants	Loans	Highway Allotments and Other	Total
Major governmental funds					
General	\$ 342,346	\$ 97,595	\$ -	\$ 146,074	\$ 586,015
Road and Bridge	87,910	2,378	-	3,472,883	3,563,171
Human Services	291,886	-	-	-	291,886
Debt Service	797,351	-	-	-	797,351
Other governmental funds					
County Building	2,248	-	-	-	2,248
County Park	11,463	-	-	-	11,463
Solid Waste	135,619	-	-	-	135,619
Economic Development	-	-	277,114	-	277,114
Ditch	18,456	-	-	-	18,456
Total	\$ 1,687,279	\$ 99,973	\$ 277,114	\$ 3,618,957	\$ 5,683,323

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

2. Deferred Revenue (Continued)

	Taxes and Special Assessments	Grants	Loans	Highway Allotments and Other	Total
Deferred revenue					
Unavailable	\$ 1,687,279	\$ -	\$ -	\$ 3,472,883	\$ 5,160,162
Unearned	-	99,973	277,114	146,074	523,161
Total	<u>\$ 1,687,279</u>	<u>\$ 99,973</u>	<u>\$ 277,114</u>	<u>\$ 3,618,957</u>	<u>\$ 5,683,323</u>

3. Vacation and Sick Leave

County employees are granted paid time off, in varying amounts, depending on union/non-union status and length of service.

The County pays unused accumulated paid time off to employees upon termination based on two different severance plans. Unvested paid time off valued at \$2,840,622 at December 31, 2007, is available to employees in the event of an absence but is not paid to them at termination.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt - Bonds and Notes

Bond and note payments are typically made from the debt service funds. Information on individual bonds and notes payables were as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
General obligation bonds					
2005A G.O. Drainage Bonds	2024	\$40,000 - \$75,000	3.50 - 4.375	\$ 1,090,000	\$ 970,000
1993B G.O. Drainage Ditch Refunding Bonds	2008	\$20,000 - \$55,000	2.90 - 5.50	510,000	20,000
1999 G.O. Capital Improvement Bonds	2013	\$105,000 - \$240,000	4.00 - 4.375	2,670,000	1,280,000
2002A G.O. Capital Improvement Bonds	2012	\$385,000 - \$545,000	2.75 - 7.20	4,560,000	2,505,000
2002B G.O. Refunding Bonds	2009	\$460,000 - \$610,000	3.00 - 4.00	3,810,000	1,190,000
1998A HRA Lease Revenue Refunding Bonds	2011	\$650,000 - \$925,000	4.25 - 4.80	8,675,000	3,445,000
2005B G.O. Capital Improvement Bonds	2010	\$450,000 - \$970,000	2.70 - 3.25	<u>4,995,000</u>	<u>2,810,000</u>
Total General Obligation Bonds and Notes				<u>\$ 26,310,000</u>	\$ 12,220,000
Add: Unamortized premium					<u>22,209</u>
Total General Obligation Bonds and Notes, Net					<u>\$ 12,242,209</u>
Revenue bonds					
2006A Public Facilities Revenue Bonds	2017	\$505,000 - \$2,230,000	2.35	<u>\$ 8,586,452</u>	<u>\$ 8,246,452</u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Economic Development Loans

The County has entered into loan agreements with the Minnesota Department of Employment and Economic Development. The loans are interest-free and are payable from the Economic Development Special Revenue Fund. Loans payable at December 31, 2007, were as follows:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2007</u>
1993 Royal Tire	2014	\$632/month	0.00	\$ 125,000	\$ 25,000

6. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds and Notes</u>		<u>Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,995,000	\$ 478,806	\$ -	\$ -
2009	3,110,000	358,135	-	-
2010	2,605,000	230,689	-	-
2011	1,705,000	121,348	5,910	-
2012	820,000	64,536	7,273	-
2013 - 2017	510,000	145,660	11,817	-
2018 - 2022	325,000	75,650	-	-
2023 - 2024	150,000	9,844	-	-
<b>Total</b>	<b>\$ 12,220,000</b>	<b>\$ 1,484,668</b>	<b>\$ 25,000</b>	<b>\$ -</b>

<u>Year Ending December 31</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 505,000	\$ 446,076
2009	2,230,000	217,650
2010	1,755,000	170,672
2011	515,000	143,986
2012	540,000	131,611
2013 - 2017	2,701,452	430,784
<b>Total</b>	<b>\$ 8,246,452</b>	<b>\$ 1,540,779</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds and notes payable	\$ 15,120,000	\$ -	\$ 2,900,000	\$ 12,220,000	\$ 2,985,000
Revenue bonds payable	451,888	8,134,564	340,000	8,246,452	505,000
Loans payable	25,000	-	-	25,000	-
Compensated absences	5,897,484	4,935,205	4,688,466	6,144,223	302,910
Bond premiums	24,613	-	2,404	22,209	-
Total Long-Term Liabilities	<u>\$ 21,518,985</u>	<u>\$ 13,069,769</u>	<u>\$ 7,930,870</u>	<u>\$ 26,657,884</u>	<u>\$ 3,792,910</u>

8. Operating Leases

The County currently has 13 operating leases. The County made operating lease payments totaling \$246,946 in 2007. The following is a schedule of future minimum operating lease payments:

<u>Year Due</u>	<u>Lease Payments</u>
2008	\$ 277,351
2009	187,527
2010	93,638
2011	85,787
2012	16,856
Total	<u>\$ 661,159</u>



**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Reserved and Designated Fund Balances

Fund balances are reserved to show amounts segregated from available spendable resources.

	General	Road and Bridge	Debt Service	Other Governmental Funds	Total
Reserved for					
Attorney's forfeited property	\$ 34,814	\$ -	\$ -	\$ -	\$ 34,814
DARE	79,692	-	-	-	79,692
Sheriff's contingency	5,000	-	-	-	5,000
Sheriff's forfeited property	23,124	-	-	-	23,124
Inventories	-	475,604	-	-	475,604
Advance to other funds	5,074	-	-	-	5,074
Recorder's equipment	110,907	-	-	-	110,907
Recorder's compliance	38,295	-	-	-	38,295
E911	416,068	-	-	-	416,068
DWI vehicle forfeiture	62,234	-	-	-	62,234
Highway projects	-	566,468	-	-	566,468
Economic development	-	-	-	762,073	762,073
Gravel pit closure	-	-	-	144,641	144,641
Landfill closure	-	-	-	57,339	57,339
Debt service	-	-	5,645,765	-	5,645,765
Election equipment	90,154	-	-	-	90,154
Cash with fiscal agent	-	-	896,452	-	896,452
<b>Total Reserved</b>	<b>\$ 865,362</b>	<b>\$ 1,042,072</b>	<b>\$ 6,542,217</b>	<b>\$ 964,053</b>	<b>\$ 9,413,704</b>

Designated fund balances show amounts that reflect tentative managerial plans or intent.

	General	Road and Bridge	Human Services	Capital Projects	Other Governmental Funds	Total
Designated for						
Working capital cash flow	\$ 15,897,739	\$ -	\$ -	\$ -	\$ -	\$ 15,897,739
Subsequent years' expenditures	413,564	1,072,526	12,461,487	1,049,174	-	14,996,751
K9 unit	-	-	-	-	21,582	21,582
Sheriff's equipment	-	-	-	-	291	291
Parks' contingency	-	-	-	-	148,800	148,800
Sheriff's mounted reserve	2,500	-	-	-	2,344	4,844
Wellness activities	-	-	-	-	30,052	30,052
<b>Total Designated</b>	<b>\$ 16,313,803</b>	<b>\$ 1,072,526</b>	<b>\$ 12,461,487</b>	<b>\$ 1,049,174</b>	<b>\$ 203,069</b>	<b>\$ 31,100,059</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

A. Risk Management

The 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. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County is self-insured for its health benefits plan. The County purchases commercial insurance for other risks of loss. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance for any of the past three 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 \$400,000 per claim in 2007 and \$410,000 per claim in 2008. 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.

On February 1, 2002, the County contracted with Health Partners and Resource Training & Solutions to administer health benefits plans for its employees as provided by plans accepted from Health Partners and Blue Cross/Blue Shield, respectively. The County sets annual premiums for the plans based on the recommendation of the plan administrators and accumulates premiums collected from all participating funds in the General Fund. Claims processing is handled differently between the two plans.

Claims against the Health Partners account are processed through Health Partners, which bills the County for the actual medical costs incurred. Claims against the Blue Cross/Blue Shield account are processed through Resource Training & Solutions. At the beginning of each month, the County remits to Resource Training & Solutions the

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

anticipated costs for that month as established by the plan in the current plan year. All costs incurred by the County for a plan year in regard to the Blue Cross/Blue Shield plan are then paid from funds collected by Resource Training & Solutions during the plan year. Changes in the balances of claims liabilities for the past two years are:

	2007	2006
Unpaid claims - January 1	\$ 809,103	\$ 735,870
Current year claims	5,296,489	4,854,618
Claim payments	(5,233,365)	(4,781,385)
Unpaid Claims - December 31	\$ 872,227	\$ 809,103

B. Contingent Liabilities

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Joint Ventures

The Stearns-Benton Employment and Training Council was created for the purpose of undertaking, implementing, and maintaining the programs established under the Job Training Partnership Act of 1982 and other federal and state laws and regulations governing the establishment and implementation of programs within areas governed by Stearns and Benton Counties. The Council is an organized joint venture having the duties, powers, and privileges granted joint powers by Minn. Stat. § 471.59. The Council is governed by a Joint Powers Board and a Workforce Development Council. The Joint Powers Board is composed of two Commissioners each from Stearns and Benton Counties and one Workforce Development Council member. As of June 30, 2007, the Workforce Development Council was composed of 25 members from local business, industry, agriculture, labor organizations, public or private education, and community service groups. Included in the Joint Powers Board's duties and powers is the authority to approve the Council's budget and enter into any necessary contracts or leases.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Stearns County contributed \$92,223 for its share of the Council's operating costs in 2007.

Complete financial statements of the Stearns-Benton Employment and Training Council can be obtained by writing to the administrative offices at 3333 West Division Street, Suite 210, St. Cloud, Minnesota 56301-1718.

D. Related Organization

The South Two River Watershed District is governed by a five-member Watershed District Board of Managers appointed by the Stearns County Board of Commissioners. A watershed district is composed of a geographic area which is affected by the watershed from a particular source. The Watershed District Board is responsible for initiating and overseeing certain actions such as ditching, ditch maintenance, engineering, and ditch repair. The costs of these actions, plus the associated administrative costs, must be borne by the "benefited" property owners within each district through a special assessment against the benefited property.

The County maintains an account in its Agency Fund into which collections of the Watershed District's special assessments are deposited. Periodically, these funds are paid to the Watershed District.

E. Jointly-Governed Organization

The Tri-County Solid Waste Management Commission was established in July 1983 by a joint powers agreement among Stearns, Benton, and Sherburne Counties to conduct a solid waste management program on behalf of the participating counties. The Commission is an organized joint venture having the duties, powers, and privileges granted joint powers by Minn. Stat. § 471.59. A Board of Directors governs the Commission. Each member county is entitled to no less than two, and no more than four, of its own County Commissioners on the Board. Population of the member counties determines how many of their County Commissioners sit on the Board. The Board of Directors is currently composed of eight members: four County Commissioners from Stearns County and two each from Benton and Sherburne Counties.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organization (Continued)

Each county's proportionate share of the net operating costs is based on the usage of the household hazardous waste facility and the solid waste picked up in each county.

The Commission will remain in existence as long as two or more 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 member counties in the ratio that the total contributions made by each of them bears to the sum total of contributions made by all.

Complete financial statements for the Tri-County Solid Waste Management Commission can be obtained by writing to its administrative offices at 601 North 20th Avenue, St. Cloud, Minnesota 56303.

5. Pension Plans

A. Defined Benefit Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute 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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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5. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. 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.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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5. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	<u>2007</u>	<u>2008</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90
Public Employees Correctional Fund	8.75	8.75

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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5. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public Employees Retirement Fund	\$ 2,036,534	\$ 1,871,310	\$ 1,639,044
Public Employees Police and Fire Fund	417,238	349,182	273,439
Public Employees Correctional Fund	315,506	294,226	269,077

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

B. Defined Contribution Plan

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

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



**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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5. Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2007, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 10,198	\$ 10,198
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

6. Subsequent Event

On June 17, 2008, the County issued \$12,800,000 General Obligation Capital Improvement Bonds, Series 2008A, to finance various capital improvement projects. The annual interest rate of the issue varies from 3.25 to 4.39 percent. The issue is scheduled to mature on December 1, 2022.

7. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies

Reporting Entity

The Housing and Redevelopment Authority (HRA) of Stearns County is a component unit of Stearns County and is reported in a separate column in the County's financial statements to emphasize that the HRA is a legally separate entity from Stearns County. The HRA operates as a public agency created by Stearns County under the Minnesota Housing and Redevelopment Authority Act of 1947. The primary purpose is to provide housing and redevelopment services to the County. The governing body consists of a five-member Board of Commissioners appointed by the Stearns County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended June 30, 2007.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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7. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies (Continued)

Deposits and Investments

The HRA'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.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

Minnesota statutes authorize the HRA to invest, with certain restrictions, in obligations of the U.S. Treasury, general obligations of the State of Minnesota or any of its municipalities, banker's acceptances, commercial paper, corporate bonds, repurchase or reverse repurchase agreements, shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are obligations guaranteed by the United States or its agencies, and guaranteed investment contracts. Investments are stated at fair value.

The investment in the broker money market is an external investment pool. The reported value of the pool is equal to the value of the pool shares. The HRA has no formal investment policy.

Property Taxes

The HRA annually adopts a levy and certifies it to the County for collection. The County is responsible for collecting all property taxes for the HRA. 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 four times per year, in January, June, July, and December.

Prepaid Items

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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7. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are defined by the HRA as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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.

Capital assets used in operations are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	40
Improvements other than buildings	10
Furniture and equipment	3 - 10

Compensated Absences

It is the HRA's policy to permit certain employees to accumulate paid time off (PTO). After an employee has successfully completed probation, an employee who leaves the employment of the HRA in good standing shall be compensated for previously credited unused PTO at the current rate of pay up to a limited amount, based on years of service. A liability of \$46,263 represents accrued PTO time unused at year-end and is recognized as expense in the year it is earned.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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7. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies

Long-Term Obligations (Continued)

issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

B. Stewardship, Compliance, and Accountability

Budgetary Information

Fiscal year budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All fiscal appropriations lapse at year-end. The HRA Board can modify or amend the budgets at any time. The HRA does not use encumbrance accounting. The budgetary control level is at the fund level.

Deficit Fund Equity

The DEED Albany, Belgrade School Development, First Time Homebuyers, and DEED Miscellaneous Special Revenue Funds had fund balance deficits of \$3,104, \$285,844, \$33,801, and \$29,296, respectively, as of June 30, 2007.

The Bell Enterprise Fund had net liabilities of \$32,932 as of June 30, 2007. The HRA plans to eliminate the deficits in the special revenue funds with transfers from other funds and in the Bell Enterprise Fund through future operating profits.

C. Detailed Notes on All Funds

Deposits and Investments

Minnesota statutes require that all HRA 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 (140 percent in the case of mortgage notes pledged). At year-end, the HRA's carrying amount of deposits was \$1,207,699, and the

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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7. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Deposits and Investments (Continued)

bank balance was \$1,218,081. Of the bank balance, \$683,805 was covered by federal depository insurance, \$523,565 was covered by pledged collateral held in the HRA's name, and \$10,711 was uncollateralized at year-end.

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the HRA's deposits and investments may not be returned or the HRA 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 HRA, the HRA maintains deposits at depository banks, all of which are members of the Federal Reserve System. As of June 30, 2007, the HRA's deposits were subject to custodial credit risk in the amount of \$10,711.

Investments are carried at fair value. Investment and dividend income is recognized as revenue when earned. As of June 30, 2007, the fair value of the HRA's investment in RBC Dain Rauscher Money Market Fund, an externally pooled investment, was \$23,513. Using the segmented time distribution method to disclose interest rate risk, this investment is less than six months. A credit rating does not apply to this investment.

A reconciliation of cash and pooled investments as shown on the Statement of Net Assets for the HRA follows:

Government-wide statement of net assets		
Component unit		
Cash and pooled investments	\$	1,231,212
Restricted assets		
Cash and pooled investments		958,524
Total Cash and Pooled Investments	\$	2,189,736
Deposits	\$	1,207,699
Investments - money market fund		23,513
Cash with fiscal agent		958,524
Total Cash and Pooled Investments	\$	2,189,736

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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7. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds (Continued)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year-end. All accounts are deemed collectible.

Loans Receivable

The following is a summary of loans receivable at June 30, 2007:

Down payment assistance loans	\$ 26,643
Revolving loan	6,163
Lead hazard control	100,625
DEED Melrose	409,931
DEED County Wide	325,718
DEED Sauk Centre	<u>716,409</u>
Total Loans Receivable	<u>\$ 1,585,489</u>

Loans have been issued by the HRA to provide mortgage or down payment assistance to County property owners. These loans are secured by property mortgages. In addition, loans are receivable from property owners that have been provided rehabilitation assistance. These loans are forgivable based on the number of years the owner lives in the rehabilitated property.

The revolving loan is payable over a period of 16 years and bears interest at three percent per annum.

Due From Other Governments

Due from other governments consists of the following:

	<u>Federal</u>
DEED Stearns County County Wide Fund	\$ 30,551
DEED Sauk Centre Fund	<u>165,062</u>
Total	<u>\$ 195,613</u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

7. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<b>Governmental Activities</b>				
Capital assets not depreciated				
Land	\$ 24,379	\$ 30,000	\$ -	\$ 54,379
Construction in progress	-	275,844	-	275,844
Total capital assets not depreciated	<u>\$ 24,379</u>	<u>\$ 305,844</u>	<u>\$ -</u>	<u>\$ 330,223</u>
Capital assets depreciated				
Buildings	\$ 491,599	\$ -	\$ -	\$ 491,599
Machinery and equipment	53,489	4,318	-	57,807
Total capital assets depreciated	<u>\$ 545,088</u>	<u>\$ 4,318</u>	<u>\$ -</u>	<u>\$ 549,406</u>
Less: accumulated depreciation for				
Buildings	\$ 12,290	\$ 12,290	\$ -	\$ 24,580
Machinery and equipment	45,898	3,172	-	49,070
Total accumulated depreciation	<u>\$ 58,188</u>	<u>\$ 15,462</u>	<u>\$ -</u>	<u>\$ 73,650</u>
Total capital assets depreciated, net	<u>\$ 486,900</u>	<u>\$ (11,144)</u>	<u>\$ -</u>	<u>\$ 475,756</u>
Governmental Activities Capital Assets, Net	<u>\$ 511,279</u>	<u>\$ 294,700</u>	<u>\$ -</u>	<u>\$ 805,979</u>
<b>Business-Type Activities</b>				
Capital assets not depreciated				
Land	\$ 304,515	\$ -	\$ -	\$ 304,515
Capital assets depreciated				
Land improvements	\$ 127,155	\$ -	\$ -	\$ 127,155
Buildings	3,569,119	-	-	3,569,119
Furniture, equipment, and machinery	192,201	-	-	192,201
Total capital assets depreciated	<u>\$ 3,888,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,888,475</u>
Less: accumulated depreciation for				
Land improvements	\$ 42,851	\$ 4,407	\$ -	\$ 47,258
Buildings	594,612	89,228	-	683,840
Furniture, equipment, and machinery	75,228	9,451	-	84,679
Total accumulated depreciation	<u>\$ 712,691</u>	<u>\$ 103,086</u>	<u>\$ -</u>	<u>\$ 815,777</u>
Total capital assets depreciated, net	<u>\$ 3,175,784</u>	<u>\$ (103,086)</u>	<u>\$ -</u>	<u>\$ 3,072,698</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,480,299</u>	<u>\$ (103,086)</u>	<u>\$ -</u>	<u>\$ 3,377,213</u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

7. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Capital Assets (Continued)

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

Governmental Activities		
General government		
Housing and economic development	\$	15,462
Business-Type Activities		
Public Housing	\$	48,124
Heading for Home		39,686
Section 8 Housing		906
The Bell		14,370
Total Depreciation Expense - Business-Type Activities	\$	103,086

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Also, governmental funds and business-type activities defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2007, the various components of deferred revenue reported were as follows:

Fund	Unavailable	Unearned	Total
General			
Taxes	\$ 130,731	\$ -	\$ 130,731
Loans	32,806	-	32,806
Special Revenue Funds			
DEED Melrose Loans	409,931	-	409,931
DEED Lead Hazard Control Grant Loans	100,625	-	100,625
DEED Stearns County County Wide Loans	325,718	-	325,718
DEED Sauk Centre DEED Sauk Centre Loans	716,409	-	716,409
Total	\$ 1,716,220	\$ -	\$ 1,716,220



**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

7. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds (Continued)

Long-Term Debt

1. Housing Development Bonds

The following bonds were issued to finance the construction of rental buildings and will be repaid from rental income.

	<u>Authorized and Issued</u>	<u>Interest Rate (%)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year-End</u>
Housing Development Revenue Bonds, Series 2001A	\$ 1,070,000	4.65 - 5.40	07/19/2001	02/01/2008	\$ 975,000
Housing Development Crossover Refunding Bonds, Series 2006	990,000	4.00 - 4.25	12/19/2006	02/01/2031	<u>990,000</u>
Total Housing Development Bonds					<u>\$ 1,965,000</u>

On December 19, 2006, the HRA issued \$990,000 Housing Development Crossover Refunding Bonds, Series 2006. The bond issue will be a crossover refunding of the Housing Development Revenue Bonds, Series 2001A. The new bond has an average coupon rate of 4.15 percent compared to the 5.27 percent average coupon rate of the old bond. The proceeds of the bond were deposited in an escrow account and will be used to pay issuance costs and to purchase government obligations. The government obligations will bear interest rates that will provide sufficient funds to refund the old bonds on February 1, 2008. The escrow account will also provide debt service payments on the new bonds until the crossover date. The old bonds are not considered defeased until the crossover date and, therefore, will not be removed as a liability. As a result of the crossover refunding issue, the HRA will achieve an economic gain (the present value of the difference between the old and the new debt) of \$73,586.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

7. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Long-Term Debt (Continued)

2. Loans

The following loans are through the state's Economic Development and Housing Challenge Program used in the production of housing.

	Authorized and Issued	Interest Rate (%)	Issue Date	Maturity Date	Balance at Year-End
MHFA loan	\$ 555,500	-	03/15/2002	05/01/2032	\$ 555,500
Bell Apartment loan	400,000	4.32	04/28/2005	05/15/2020	359,679
Total Loans					<u>\$ 915,179</u>

3. Debt Service Requirements

Debt service requirements for business-type activities at June 30, 2007, were as follows:

Year Ending June 30	MHFA Loans		Bell Apartment Loan		Housing Development Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ -	\$ -	\$ 21,139	\$ 15,371	\$ 975,000	\$ 97,304
2009	-	-	22,126	14,384	25,000	40,688
2010	-	-	23,115	13,395	30,000	39,688
2011	-	-	24,148	12,362	30,000	38,488
2012	-	-	25,196	11,314	30,000	37,288
2013 - 2017	-	-	144,062	38,489	170,000	167,237
2018 - 2022	-	-	99,893	6,697	210,000	130,237
2023 - 2027	-	-	-	-	255,000	84,171
2028 - 2032	555,500	-	-	-	240,000	26,138
Total	<u>\$ 555,500</u>	<u>\$ -</u>	<u>\$ 359,679</u>	<u>\$ 112,012</u>	<u>\$ 1,965,000</u>	<u>\$ 661,239</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 18,932	\$ 18,979	\$ 16,852	\$ 21,059	21,059

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

7. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Long-Term Debt

4. Changes in Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
Bonds payable					
Housing Development Revenue Bonds, Series 2001A	\$ 995,000	\$ -	\$ 20,000	\$ 975,000	\$ 975,000
Housing Development Crossover Refunding Bonds, Series 2006	-	990,000	-	990,000	-
Total bonds payable	\$ 995,000	\$ 990,000	\$ 20,000	\$ 1,965,000	\$ 975,000
Loans					
MHFA	\$ 555,500	\$ -	\$ -	\$ 555,500	\$ -
Bell Apartment	379,856	-	20,177	359,679	21,139
Total loans	\$ 935,356	\$ -	\$ 20,177	\$ 915,179	\$ 21,139
Compensated absences	\$ 28,397	\$ 22,715	\$ 25,908	\$ 25,204	\$ 25,204
Business-Type Activities Long-Term Liabilities	\$ 1,958,753	\$ 1,012,715	\$ 66,085	\$ 2,905,383	\$ 1,021,343

D. Defined Contribution Pension Plans

On October 1, 1998, the HRA adopted a defined contribution pension plan for all employees working at least 20 hours per week for at least five months out of the year. The employer contributes 5.53 percent annually of the employee's base rate of pay to the plan. Participating employees shall vest in employer contributions at the rate of 50 percent for each full year of continuous employment. For the years ended June 30, 2007, 2006, and 2005, employer contributions totaled \$20,911, \$18,225, and \$15,892, respectively.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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7. Housing and Redevelopment Authority of Stearns County (Continued)

E. Other Information

Risk Management

The HRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the HRA carries insurance through the Minnesota Counties Insurance Trust. The HRA retains risk for the deductible portions of the insurance. The amount of these deductibles is considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year or settlements in excess of insurance for any of 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's management is not aware of any IBNR claims.

Joint Powers Agreement

A Joint Powers Agreement has been entered into between the Housing and Redevelopment Authorities of Carver County, Northwest Minnesota Multi-County, Olmsted County, the City of St. Cloud, Scott County, Southeastern Minnesota Multi-County, and Stearns County (the Members) pursuant to Minn. Stat. § 471.59 and ch. 462C. The purpose of this agreement is to preserve the quality of life in these jurisdictions through the maintenance provision and preservation of adequate housing stock, to encourage new housing construction, and to provide affordable housing to persons of low and moderate income.

The Members have obtained allocations of tax-exempt bonding authority to be used for issuance of qualified mortgage bonds and have previously issued certain single-family mortgage revenue refunding bonds, which they have determined to refund. The bonds shall be special limited obligations of the Members, payable solely from proceeds, revenues, and other amounts pledged thereto, and more fully described in the indenture. The bonds and interest thereon shall neither constitute nor give rise to indebtedness; pecuniary liability; general or moral obligation; or a pledge of the faith or loan of credit of the Members, the state, or any other political subdivision thereof.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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7. Housing and Redevelopment Authority of Stearns County

E. Other Information (Continued)

Conduit Debt Obligations

The HRA has issued Industrial Development Notes and Public Project Revenue Bonds to finance construction of industrial and commercial facilities deemed to be in the public interest and the Sauk Centre City Hall. The bonds are secured by the property financed and shall not constitute debt for which the full faith and credit or taxing powers of the HRA will be pledged. Neither the HRA nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

F. Capital Grant Program

The HRA receives capital grant funds from the U.S. Department of Housing and Urban Development. The following schedule reconciles the grants with the current activity:

	Grant Year	
	2005	2006
Funds approved	\$ 38,407	\$ 36,847
Funds expended	38,407	-
Excess of Funds Approved	\$ -	\$ 36,847
Funds Advanced	\$ 38,407	\$ -
2007 Revenue	\$ 9,437	\$ -

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 22,773,158	\$ 22,773,158	\$ 22,866,447	\$ 93,289
Licenses and permits	554,000	554,000	509,907	(44,093)
Intergovernmental	10,014,467	10,091,780	11,315,984	1,224,204
Charges for services	4,193,550	4,363,613	4,464,660	101,047
Fines and forfeits	-	52,349	142,782	90,433
Investment income	1,000,000	1,000,000	2,964,109	1,964,109
Miscellaneous	1,036,937	1,038,169	2,063,372	1,025,203
<b>Total Revenues</b>	<b>\$ 39,572,112</b>	<b>\$ 39,873,069</b>	<b>\$ 44,327,261</b>	<b>\$ 4,454,192</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 15,609	\$ 882,564	\$ 633,447	\$ 249,117
Courts	132,765	132,765	131,997	768
County administration	635,923	677,545	644,266	33,279
Auditor-Treasurer	4,016,368	4,349,068	4,034,407	314,661
Assessor	1,276,320	1,295,687	1,257,125	38,562
Purchasing	228,020	240,494	238,341	2,153
Information services	1,229,271	-	-	-
Human resources	712,672	767,851	774,230	(6,379)
Attorney	4,148,453	4,217,024	4,142,608	74,416
Recorder	1,427,455	1,315,579	1,217,759	97,820
Maintenance	2,365,906	1,812,094	1,992,553	(180,459)
Veterans service officer	223,330	223,668	224,730	(1,062)
<b>Total general government</b>	<b>\$ 16,412,092</b>	<b>\$ 15,914,339</b>	<b>\$ 15,291,463</b>	<b>\$ 622,876</b>
<b>Public safety</b>				
Sheriff	\$ 8,674,333	\$ 8,020,128	\$ 8,023,619	\$ (3,491)
Boat and water safety	47,608	47,722	40,859	6,863
Coroner	219,641	219,612	208,719	10,893
E-911 system	165,500	167,100	109,570	57,530
County jail	8,502,067	8,448,336	8,323,287	125,049
Civil defense	267,315	251,844	799,852	(548,008)
<b>Total public safety</b>	<b>\$ 17,876,464</b>	<b>\$ 17,154,742</b>	<b>\$ 17,505,906</b>	<b>\$ (351,164)</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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>Culture and recreation</b>				
Historical society	\$ 535,000	\$ 535,000	\$ 535,000	\$ -
County library	1,942,952	1,942,952	1,942,952	-
Other	500	500	460	40
<b>Total culture and recreation</b>	<b>\$ 2,478,452</b>	<b>\$ 2,478,452</b>	<b>\$ 2,478,412</b>	<b>\$ 40</b>
<b>Conservation of natural resources</b>				
County extension	\$ 339,005	\$ 336,757	\$ 336,471	\$ 286
Soil and water conservation	757,000	757,000	757,000	-
Agricultural society	20,000	20,000	20,000	-
Environmental services	3,027,162	3,065,965	2,942,578	123,387
<b>Total conservation of natural resources</b>	<b>\$ 4,143,167</b>	<b>\$ 4,179,722</b>	<b>\$ 4,056,049</b>	<b>\$ 123,673</b>
<b>Economic development</b>				
Community development	\$ 110,083	\$ 110,083	\$ 110,083	\$ -
<b>Intergovernmental</b>				
General government	\$ -	\$ -	\$ 221,327	\$ (221,327)
<b>Total Expenditures</b>	<b>\$ 41,020,258</b>	<b>\$ 39,837,338</b>	<b>\$ 39,663,240</b>	<b>\$ 174,098</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (1,448,146)</b>	<b>\$ 35,731</b>	<b>\$ 4,664,021</b>	<b>\$ 4,628,290</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 779,011	\$ 779,011	\$ -
Transfers out	-	(806,558)	(806,558)	-
Proceeds from sale of capital assets	17,000	17,000	47,874	30,874
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 17,000</b>	<b>\$ (10,547)</b>	<b>\$ 20,327</b>	<b>\$ 30,874</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,431,146)</b>	<b>\$ 25,184</b>	<b>\$ 4,684,348</b>	<b>\$ 4,659,164</b>
<b>Fund Balance - January 1</b>	<b>13,538,785</b>	<b>13,538,785</b>	<b>13,538,785</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 12,107,639</b>	<b>\$ 13,563,969</b>	<b>\$ 18,223,133</b>	<b>\$ 4,659,164</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,937,383	\$ 5,937,383	\$ 5,890,275	\$ (47,108)
Intergovernmental	8,919,374	8,919,374	14,922,046	6,002,672
Charges for services	22,750	22,750	46,910	24,160
Miscellaneous	126,336	126,336	86,280	(40,056)
<b>Total Revenues</b>	<b>\$ 15,005,843</b>	<b>\$ 15,005,843</b>	<b>\$ 20,945,511</b>	<b>\$ 5,939,668</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 645,244	\$ 684,296	\$ 672,509	\$ 11,787
Maintenance	4,209,338	4,160,997	3,862,195	298,802
Construction	8,287,905	8,263,665	21,261,936	(12,998,271)
Equipment maintenance and shop	1,786,767	1,750,993	1,701,409	49,584
<b>Total highways and streets</b>	<b>\$ 14,929,254</b>	<b>\$ 14,859,951</b>	<b>\$ 27,498,049</b>	<b>\$ (12,638,098)</b>
<b>Conservation of natural resources</b>				
Agricultural inspector	76,589	76,564	73,706	2,858
<b>Intergovernmental</b>				
Highways and streets	-	-	495,662	(495,662)
<b>Total Expenditures</b>	<b>\$ 15,005,843</b>	<b>\$ 14,936,515</b>	<b>\$ 28,067,417</b>	<b>\$ (13,130,902)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 69,328</b>	<b>\$ (7,121,906)</b>	<b>\$ (7,191,234)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 88,119	\$ 88,119	\$ -
Transfers out	-	(118,867)	(118,867)	-
Bonds issued	-	-	8,134,564	8,134,564
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ (30,748)</b>	<b>\$ 8,103,816</b>	<b>\$ 8,134,564</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 38,580</b>	<b>\$ 981,910</b>	<b>\$ 943,330</b>
<b>Fund Balance - January 1</b>	<b>1,164,941</b>	<b>1,164,941</b>	<b>1,164,941</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(32,253)</b>	<b>(32,253)</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,164,941</b>	<b>\$ 1,203,521</b>	<b>\$ 2,114,598</b>	<b>\$ 911,077</b>

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 18,230,615	\$ 18,230,615	\$ 18,202,808	\$ (27,807)
Intergovernmental	18,381,894	18,971,272	19,858,059	886,787
Charges for services	1,059,089	1,059,089	1,064,551	5,462
Miscellaneous	750,247	769,672	1,216,251	446,579
<b>Total Revenues</b>	<b>\$ 38,421,845</b>	<b>\$ 39,030,648</b>	<b>\$ 40,341,669</b>	<b>\$ 1,311,021</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Community corrections	\$ 5,817,720	\$ 5,716,878	\$ 5,826,185	\$ (109,307)
<b>Human services</b>				
Administrative services	\$ 3,016,468	\$ 2,947,731	\$ 2,842,533	\$ 105,198
Gateway services	8,376,958	8,501,696	8,482,594	19,102
Community support	7,319,952	7,366,355	7,335,938	30,417
Family and children services	6,782,634	6,724,736	6,852,498	(127,762)
Finance and technology	4,959,210	5,485,431	5,356,071	129,360
<b>Total human services</b>	<b>\$ 30,455,222</b>	<b>\$ 31,025,949</b>	<b>\$ 30,869,634</b>	<b>\$ 156,315</b>
<b>Health</b>				
Nursing service	\$ 2,148,903	\$ 2,188,025	\$ 2,221,321	\$ (33,296)
<b>Total Expenditures</b>	<b>\$ 38,421,845</b>	<b>\$ 38,930,852</b>	<b>\$ 38,917,140</b>	<b>\$ 13,712</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ 99,796</b>	<b>\$ 1,424,529</b>	<b>\$ 1,324,733</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 616,714	\$ 616,714	\$ -
Transfers out	-	(651,000)	(651,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ (34,286)</b>	<b>\$ (34,286)</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 65,510</b>	<b>\$ 1,390,243</b>	<b>\$ 1,324,733</b>
<b>Fund Balance - January 1</b>	<b>11,071,244</b>	<b>11,071,244</b>	<b>11,071,244</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 11,071,244</b>	<b>\$ 11,136,754</b>	<b>\$ 12,461,487</b>	<b>\$ 1,324,733</b>

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2007

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1. Budgetary Information

Budget Policies

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, certain special revenue funds, and the Debt Service Fund. All annual appropriations lapse at fiscal year-end unless specifically carried over to the next budget year by Board action. Expenditures may not exceed budgeted appropriations at the function level within each individual fund.

Budgets can be amended or modified during the year only by the County Board, County Auditor-Treasurer, or Financial Manager. All transfers of budgeted amounts within departments (except capital outlay) can be made by the County Auditor-Treasurer or the Financial Manager. Any other transfers, appropriations, or capital outlay changes or additions require County Board approval. Additional appropriations would be allowed only to the extent that resources are currently available or attainable to cover expenditures.

Encumbrances

Encumbrance accounting, under which commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the governmental funds. Encumbrances outstanding at year-end are reported as reserved fund balances since they do not constitute expenditures or actual liabilities. Encumbrances lapse at year-end and are rebudgeted the following year.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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2. Excess of Expenditures Over Budget

The following major governmental funds had expenditures in excess of budget at the function level for the year ended December 31, 2007.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
Public safety	\$ 17,505,906	\$ 17,154,742	\$ 351,164
Intergovernmental			
General government	221,327	-	221,327
Road and Bridge Special Revenue Fund			
Current			
Highways and streets	27,498,049	14,859,951	12,638,098
Intergovernmental			
Highways and streets	495,662	-	495,662
Human Services Special Revenue Fund			
Current			
Public safety	5,826,185	5,716,878	109,307
Health	2,221,321	2,188,025	33,296

**SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 4**

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,992,955	\$ 3,992,955	\$ 3,979,609	\$ (13,346)
Special assessments	-	-	160,644	160,644
Intergovernmental	790,930	790,930	794,583	3,653
Investment income	-	-	44,627	44,627
<b>Total Revenues</b>	<b><u>\$ 4,783,885</u></b>	<b><u>\$ 4,783,885</u></b>	<b><u>\$ 4,979,463</u></b>	<b><u>\$ 195,578</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Other	\$ -	\$ -	\$ 15,703	\$ (15,703)
<b>Debt service</b>				
Principal	2,830,000	2,830,000	3,210,000	(380,000)
Interest	613,885	613,885	625,185	(11,300)
<b>Total Expenditures</b>	<b><u>\$ 3,443,885</u></b>	<b><u>\$ 3,443,885</u></b>	<b><u>\$ 3,850,888</u></b>	<b><u>\$ (407,003)</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ 1,340,000</u></b>	<b><u>\$ 1,340,000</u></b>	<b><u>\$ 1,128,575</u></b>	<b><u>\$ (211,425)</u></b>
<b>Fund Balance - January 1</b>	<b><u>5,413,642</u></b>	<b><u>5,413,642</u></b>	<b><u>5,413,642</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 6,753,642</u></u></b>	<b><u><u>\$ 6,753,642</u></u></b>	<b><u><u>\$ 6,542,217</u></u></b>	<b><u><u>\$ (211,425)</u></u></b>

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes.

County Building - to account for funds being accumulated for future building construction and capital acquisition. Financing is provided primarily by an annual property tax levy.

County Park - to account for the operations of the County's park system. Financing is provided primarily by an annual property tax levy and state grants.

Law Library - to account for funds used to maintain the law library. Financing is provided by the assessment of fees according to state statute.

Solid Waste - to account for revenues and expenditures related to County-wide solid waste management. Financing is provided by a County-wide solid waste management fee.

Economic Development - to account for the revenues and expenditures associated with economic development loans issued to the business community to spur growth. Financing is provided by repayments of loans originally financed by intergovernmental revenues.

Ditch - to account for the costs for maintaining County ditches. Financing is provided by special assessments against the benefited property owners.

Miscellaneous - to account for County gravel tax, missing heirs, forfeited tax sale, and other activities.

AGENCY FUND

Agency Fund - to account for assets held by the County as an agent for other governmental units, individuals, private organizations, or other funds.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<u>County Building</u>	<u>County Park</u>	<u>Law Library</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 100,496	\$ 469,056	\$ 204,017
Petty cash and change funds	-	220	-
Taxes receivable delinquent	3,134	16,442	-
Special assessments receivable			
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	-	-	-
Loans receivable	-	-	-
Due from other governments	-	-	-
Advance to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b><u>\$ 103,630</u></b>	<b><u>\$ 485,718</u></b>	<b><u>\$ 204,017</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 48,820	\$ 25,061	\$ 15,342
Salaries payable	-	21,652	3,600
Due to other governments	-	9,772	-
Deferred revenue - unavailable	2,248	11,463	-
Deferred revenue - unearned	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b><u>\$ 51,068</u></b>	<b><u>\$ 67,948</u></b>	<b><u>\$ 18,942</u></b>
<b>Fund Balances</b>			
Reserved for economic development	\$ -	\$ -	\$ -
Reserved for gravel pit closure	-	-	-
Reserved for landfill closure	-	-	-
Unreserved			
Designated for K9 unit	-	-	-
Designated for sheriff's equipment	-	-	-
Designated for parks' contingency	-	-	-
Designated for sheriff's mounted reserve	-	-	-
Designated for wellness activities	-	-	-
Undesignated	52,562	417,770	185,075
	<hr/>	<hr/>	<hr/>
<b>Total Fund Balances</b>	<b><u>\$ 52,562</u></b>	<b><u>\$ 417,770</u></b>	<b><u>\$ 185,075</u></b>
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 103,630</u></b>	<b><u>\$ 485,718</u></b>	<b><u>\$ 204,017</u></b>

**Statement 1**

**Special Revenue Funds**

<u>Solid Waste</u>	<u>Economic Development</u>	<u>Ditch</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ 2,172,547	\$ 762,073	\$ 165,043	\$ 413,250	\$ 4,286,482
-	-	-	300	520
-	-	-	-	19,576
46,337	-	2,098	-	48,435
89,282	-	16,358	-	105,640
46,874	-	-	-	46,874
-	277,114	-	-	277,114
2,896	-	-	1,995	4,891
33,916	-	-	-	33,916
<b><u>\$ 2,391,852</u></b>	<b><u>\$ 1,039,187</u></b>	<b><u>\$ 183,499</u></b>	<b><u>\$ 415,545</u></b>	<b><u>\$ 4,823,448</u></b>
\$ 116	\$ -	\$ -	\$ 10,496	\$ 99,835
5,313	-	-	-	30,565
-	-	-	-	9,772
135,619	-	18,456	-	167,786
-	277,114	-	-	277,114
<b><u>\$ 141,048</u></b>	<b><u>\$ 277,114</u></b>	<b><u>\$ 18,456</u></b>	<b><u>\$ 10,496</u></b>	<b><u>\$ 585,072</u></b>
\$ -	\$ 762,073	\$ -	\$ -	\$ 762,073
-	-	-	144,641	144,641
-	-	-	57,339	57,339
-	-	-	21,582	21,582
-	-	-	291	291
-	-	-	148,800	148,800
-	-	-	2,344	2,344
-	-	-	30,052	30,052
2,250,804	-	165,043	-	3,071,254
<b><u>\$ 2,250,804</u></b>	<b><u>\$ 762,073</u></b>	<b><u>\$ 165,043</u></b>	<b><u>\$ 405,049</u></b>	<b><u>\$ 4,238,376</u></b>
<b><u>\$ 2,391,852</u></b>	<b><u>\$ 1,039,187</u></b>	<b><u>\$ 183,499</u></b>	<b><u>\$ 415,545</u></b>	<b><u>\$ 4,823,448</u></b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>County Building</u>	<u>County Park</u>	<u>Law Library</u>
<b>Revenues</b>			
Taxes	\$ 128,169	\$ 735,645	\$ -
Special assessments	-	-	-
Licenses and permits	-	63,481	-
Intergovernmental	11,072	74,750	-
Charges for services	-	-	-
Fines and forfeits	-	-	160,436
Gifts and contributions	-	2,643	-
Investment income	-	2,083	-
Miscellaneous	-	8,283	-
<b>Total Revenues</b>	<b>\$ 139,241</b>	<b>\$ 886,885</b>	<b>\$ 160,436</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 163,926	\$ -	\$ 226,762
Public safety	4,525	-	-
Highways and streets	9,985	-	-
Sanitation	-	-	-
Human services	37,719	-	-
Culture and recreation	-	813,345	-
Conservation of natural resources	-	-	-
Economic development	-	-	-
<b>Debt service</b>			
Principal	-	-	-
Interest	-	-	-
<b>Total Expenditures</b>	<b>\$ 216,155</b>	<b>\$ 813,345</b>	<b>\$ 226,762</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (76,914)</b>	<b>\$ 73,540</b>	<b>\$ (66,326)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ 8,469	\$ -
Transfers out	-	(15,954)	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ (7,485)</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ (76,914)</b>	<b>\$ 66,055</b>	<b>\$ (66,326)</b>
<b>Fund Balance - January 1</b>	<b>129,476</b>	<b>351,715</b>	<b>251,401</b>
<b>Fund Balance - December 31</b>	<b>\$ 52,562</b>	<b>\$ 417,770</b>	<b>\$ 185,075</b>



Statement 2

**Special Revenue Funds**

<u>Solid Waste</u>	<u>Economic Development</u>	<u>Ditch</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 17,293	\$ 881,107
598,243	-	27,311	-	625,554
-	-	-	-	63,481
-	-	-	-	85,822
587,983	-	-	-	587,983
-	-	-	-	160,436
-	-	-	6,290	8,933
26,780	16,832	-	-	45,695
16,275	27,940	-	78,914	131,412
<b>\$ 1,229,281</b>	<b>\$ 44,772</b>	<b>\$ 27,311</b>	<b>\$ 102,497</b>	<b>\$ 2,590,423</b>
\$ -	\$ -	\$ -	\$ -	\$ 390,688
-	-	-	1,339	5,864
-	-	-	-	9,985
372,998	-	-	-	372,998
-	-	-	-	37,719
-	-	-	-	813,345
-	-	419	-	419
-	150,000	-	-	150,000
-	-	30,000	-	30,000
-	-	2,225	-	2,225
<b>\$ 372,998</b>	<b>\$ 150,000</b>	<b>\$ 32,644</b>	<b>\$ 1,339</b>	<b>\$ 1,813,243</b>
<b>\$ 856,283</b>	<b>\$ (105,228)</b>	<b>\$ (5,333)</b>	<b>\$ 101,158</b>	<b>\$ 777,180</b>
\$ 66	\$ -	\$ -	\$ -	\$ 8,535
-	-	-	-	(15,954)
<b>\$ 66</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (7,419)</b>
\$ 856,349	\$ (105,228)	\$ (5,333)	\$ 101,158	\$ 769,761
1,394,455	867,301	170,376	303,891	3,468,615
<b>\$ 2,250,804</b>	<b>\$ 762,073</b>	<b>\$ 165,043</b>	<b>\$ 405,049</b>	<b>\$ 4,238,376</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE  
COUNTY BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 128,545	\$ 128,545	\$ 128,169	\$ (376)
Intergovernmental	10,955	10,955	11,072	117
<b>Total Revenues</b>	<b>\$ 139,500</b>	<b>\$ 139,500</b>	<b>\$ 139,241</b>	<b>\$ (259)</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 139,500	\$ 139,500	\$ 163,926	\$ (24,426)
Public safety	-	-	4,525	(4,525)
Highways and streets	-	-	9,985	(9,985)
Human services	-	-	37,719	(37,719)
<b>Total Expenditures</b>	<b>\$ 139,500</b>	<b>\$ 139,500</b>	<b>\$ 216,155</b>	<b>\$ (76,655)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (76,914)</b>	<b>\$ (76,914)</b>
<b>Fund Balance - January 1</b>	<b>129,476</b>	<b>129,476</b>	<b>129,476</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 129,476</b>	<b>\$ 129,476</b>	<b>\$ 52,562</b>	<b>\$ (76,914)</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 6**

**BUDGETARY COMPARISON SCHEDULE  
COUNTY PARK SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 725,711	\$ 725,711	\$ 735,645	\$ 9,934
Licenses and permits	50,000	50,000	63,481	13,481
Intergovernmental	61,788	61,788	74,750	12,962
Gifts and contributions	-	-	2,643	2,643
Investment income	-	-	2,083	2,083
Miscellaneous	12,000	12,000	8,283	(3,717)
<b>Total Revenues</b>	<b>\$ 849,499</b>	<b>\$ 849,499</b>	<b>\$ 886,885</b>	<b>\$ 37,386</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	849,499	821,014	813,345	7,669
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ 28,485</b>	<b>\$ 73,540</b>	<b>\$ 45,055</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	8,469	8,469	-
Transfers out	-	(15,954)	(15,954)	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ (7,485)</b>	<b>\$ (7,485)</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 21,000</b>	<b>\$ 66,055</b>	<b>\$ 45,055</b>
<b>Fund Balance - January 1</b>	<b>351,715</b>	<b>351,715</b>	<b>351,715</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 351,715</b>	<b>\$ 372,715</b>	<b>\$ 417,770</b>	<b>\$ 45,055</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE  
LAW LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Fines and forfeits	202,000	202,000	160,436	(41,564)
<b>Total Revenues</b>	<b>\$ 206,000</b>	<b>\$ 206,000</b>	<b>\$ 160,436</b>	<b>\$ (45,564)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Law library	206,000	206,000	226,762	(20,762)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (66,326)</b>	<b>\$ (66,326)</b>
<b>Fund Balance - January 1</b>	<b>251,401</b>	<b>251,401</b>	<b>251,401</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 251,401</b>	<b>\$ 251,401</b>	<b>\$ 185,075</b>	<b>\$ (66,326)</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 8*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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	\$ 560,000	\$ 560,000	\$ 598,243	\$ 38,243
Charges for services	460,000	460,000	587,983	127,983
Investment income	-	-	26,780	26,780
Miscellaneous	5,000	5,000	16,275	11,275
<b>Total Revenues</b>	<b>\$ 1,025,000</b>	<b>\$ 1,025,000</b>	<b>\$ 1,229,281</b>	<b>\$ 204,281</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	1,025,000	1,025,066	372,998	652,068
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ (66)</b>	<b>\$ 856,283</b>	<b>\$ 856,349</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	66	66	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 856,349</b>	<b>\$ 856,349</b>
<b>Fund Balance - January 1</b>	<b>1,394,455</b>	<b>1,394,455</b>	<b>1,394,455</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,394,455</b>	<b>\$ 1,394,455</b>	<b>\$ 2,250,804</b>	<b>\$ 856,349</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 9*

**BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment income	\$ 10,000	\$ 10,000	\$ 16,832	\$ 6,832
Miscellaneous	<u>60,000</u>	<u>60,000</u>	<u>27,940</u>	<u>(32,060)</u>
<b>Total Revenues</b>	<b>\$ 70,000</b>	<b>\$ 70,000</b>	<b>\$ 44,772</b>	<b>\$ (25,228)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Community development	<u>70,000</u>	<u>70,000</u>	<u>150,000</u>	<u>(80,000)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (105,228)</b>	<b>\$ (105,228)</b>
<b>Fund Balance - January 1</b>	<b><u>867,301</u></b>	<b><u>867,301</u></b>	<b><u>867,301</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 867,301</u></u></b>	<b><u><u>\$ 867,301</u></u></b>	<b><u><u>\$ 762,073</u></u></b>	<b><u><u>\$ (105,228)</u></u></b>

**FIDUCIARY FUND**

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Statement 3**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 3,664,117	\$ 335,402,451	\$ 336,056,693	\$ 3,009,875
Due from other governments	3,859	-	3,859	-
	<b>\$ 3,667,976</b>	<b>\$ 335,402,451</b>	<b>\$ 336,060,552</b>	<b>\$ 3,009,875</b>
	<b>\$ 3,667,976</b>	<b>\$ 335,402,451</b>	<b>\$ 336,060,552</b>	<b>\$ 3,009,875</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 44,216	\$ 47,534	\$ 44,216	\$ 47,534
Due to other governments	3,623,760	335,354,917	336,016,336	2,962,341
	<b>\$ 3,667,976</b>	<b>\$ 335,402,451</b>	<b>\$ 336,060,552</b>	<b>\$ 3,009,875</b>
	<b>\$ 3,667,976</b>	<b>\$ 335,402,451</b>	<b>\$ 336,060,552</b>	<b>\$ 3,009,875</b>

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## **OTHER SCHEDULES**

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 10*

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

	2006		2007		2008	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real property	\$ 108,618,162		\$ 120,840,776		\$ 132,199,915	
Personal property	1,478,943		1,587,325		1,581,885	
<b>Net Tax Capacity</b>	<b><u>\$ 110,097,105</u></b>		<b><u>\$ 122,428,101</u></b>		<b><u>\$ 133,781,800</u></b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 23,943,397	16.774	\$ 28,742,382	19.052	\$ 31,795,478	19.632
Road and Bridge	5,472,961	5.209	6,308,441	5.377	7,307,493	5.709
Human Services	18,165,529	17.288	19,851,981	16.922	21,155,156	16.528
County Building	155,000	0.148	139,500	0.119	202,500	0.158
County Park	698,672	0.665	787,499	0.671	859,783	0.672
Regional Library	1,826,870	1.739	1,942,952	1.656	2,043,656	1.597
Debt Service	6,240,213	5.700	4,783,885	3.692	4,581,878	3.220
<b>Total Levy for County Purposes</b>	<b>\$ 56,502,642</b>	<b><u>47.523</u></b>	<b>\$ 62,556,640</b>	<b><u>47.489</u></b>	<b>\$ 67,945,944</b>	<b><u>47.516</u></b>
<b>Less Credits Payable by State</b>	<u>6,568,321</u>		<u>6,841,586</u>		<u>7,116,831</u>	
<b>Net Levy Certified to State</b>	<b>\$ 49,934,321</b>		<b>\$ 55,715,054</b>		<b>\$ 60,829,113</b>	
<b>Less Market Value Credits Payable by State</b>	<u>4,422,437</u>		<u>4,381,547</u>		<u>4,382,408</u>	
<b>Net Levy for County Purposes</b>	<b><u>\$ 45,511,884</u></b>		<b><u>\$ 51,333,507</u></b>		<b><u>\$ 56,446,705</u></b>	
<b>Percentage of Tax Collections for All Purposes</b>	<b>98.65%</b>		<b>98.40%</b>		<b>N/A</b>	

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
(ACCRUAL BASIS)  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2007**

	Assets			
	Cash and Pooled Investments	Special Assessments Receivable		Total
		Delinquent	Deferred	
<b>Judicial Ditches</b>				
1 Grove Lake	\$ 930	\$ -	\$ -	\$ 930
3	552	36	-	588
<b>County Ditches</b>				
7 Lateral A	43,332	-	-	43,332
9	17,640	-	-	17,640
17	3,253	4	1,197	4,454
29	8,832	-	-	8,832
32	75,554	47	-	75,601
37	3,965	42	-	4,007
50	2,172	-	-	2,172
51	8,813	1,969	15,161	25,943
<b>Total</b>	<b>\$ 165,043</b>	<b>\$ 2,098</b>	<b>\$ 16,358</b>	<b>183,499</b>
<b>Reconcilement</b>				
Add (Deduct)	-	-	-	-
<b>Modified Accrual Per Statement 1</b>	<b>\$ 165,043</b>	<b>\$ 2,098</b>	<b>\$ 16,358</b>	<b>\$ 183,499</b>

Schedule 11

<b>Liabilities</b>				
<b>Deferred Revenue</b>	<b>General Obligation Bonds Payable</b>	<b>Total</b>	<b>Undesignated Fund Balance</b>	<b>Total Liabilities and Fund Balance</b>
\$ -	\$ 1,071	\$ 1,071	\$ (141)	\$ 930
-	642	642	(54)	588
-	7,521	7,521	35,811	43,332
-	3,339	3,339	14,301	17,640
-	3,930	3,930	524	4,454
-	-	-	8,832	8,832
-	10,992	10,992	64,609	75,601
-	-	-	4,007	4,007
-	2,505	2,505	(333)	2,172
-	-	-	25,943	25,943
<b>\$ -</b>	<b>\$ 30,000</b>	<b>\$ 30,000</b>	<b>\$ 153,499</b>	<b>\$ 183,499</b>
18,456	(30,000)	(11,544)	11,544	-
<b>\$ 18,456</b>	<b>\$ -</b>	<b>\$ 18,456</b>	<b>\$ 165,043</b>	<b>\$ 183,499</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 12**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**Shared Revenue**

**State**

Highway users tax	\$	8,287,588
County program aid		6,841,586
Market value credit		4,405,676
PERA rate reimbursement		145,954
Disparity reduction aid		46,952
Police aid		339,457
Enhanced 911		253,256
		253,256

**Total Shared Revenue** **\$ 20,320,469**

**Reimbursement for Services**

Minnesota Department of Human Services **\$ 6,678,984**

**Payments**

**Local**

Payments in lieu of taxes	\$	131,634
Local share of construction		3,064,966
Other contributions		62,177
		62,177

**Total Payments** **\$ 3,258,777**

**Grants**

**State**

Minnesota Department/Board of Corrections	\$	2,512,345
Public Safety		109,514
Health		471,987
Natural Resources		1,941,357
Human Services		5,295,707
Water and Soil Resources		321,355
Office of Environmental Assistance		108,326
Pollution Control Agency		302,703
Peace Officer Standards and Training Board		26,933
		26,933

**Total State** **\$ 11,090,227**

**Federal**

Department of Agriculture	\$	453,007
Housing and Urban Development		221,327
Justice		94,769
Transportation		3,317,220
Health and Human Services		3,189,459
Homeland Security		418,854
		418,854

**Total Federal** **\$ 7,694,636**

**Total State and Federal Grants** **\$ 18,784,863**

**Total Intergovernmental Revenue** **\$ 49,043,093**





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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 13*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

- A. Our report expresses unqualified opinions on the basic financial statements of Stearns County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Stearns 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 Stearns County were disclosed during the audit.
- D. A significant deficiency relating to the audit of the major federal award programs is reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133." It was not a material weakness.
- E. The Auditor's Report on Compliance for the major federal award programs for Stearns County expresses an unqualified opinion.
- F. A finding relative to a major federal award program for Stearns County was reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- |   |              |
|---|--------------|
| Highway Planning and Construction         | CFDA #20.205 |
| Child Care Development Cluster            |              |
| Development Block Grant                   | CFDA #93.575 |
| Mandatory and Matching Funds of the Child |              |
| Care and Development Fund                 | CFDA #93.596 |
| Social Services Block Grant (Title XX)    | CFDA #93.667 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Stearns County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-6 Departmental Internal Accounting Controls

Due to the limited number of office personnel within the various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Offices that do not have sufficient segregation of duties include Sheriff, Jail, Environmental Services, and Parks. These offices may have only one employee to receive and account for departmental collections. 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.

Examples of incompatible duties that should be performed by separate individuals are:

- receipting collections, posting collections to registers, and making bank deposits;
- signing checks and reconciling the bank accounts;
- receipting collections and posting collections to the accounts receivable records;
- approving receivable write-offs/write-downs and posting adjustments to the accounts receivable records; and
- data entry, adjusting accounting codes, and reviewing the monthly detailed report of receipts and disbursements for accuracy.

Some procedures the County's management may wish to consider to strengthen controls in these offices include:

- Departmental collections should be remitted to the County Auditor-Treasurer more frequently than once each month, perhaps weekly or even daily, to reduce the amount of funds on hand.

- Department heads should monitor operations within their office to determine that reports are submitted properly and are in agreement with cash balances and grant expenditures.
- When an office has only a department head and one other employee, the department head should perform some of the accounting functions.

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 over cash, receivables, and other items.

Client's Response:

*We are aware of the problems with segregation of duties in certain areas. In many of these areas, we feel it would be cost-prohibitive to ensure total segregation. Thereby, other accounting techniques and methods are used to verify the reasonableness of these areas of concern.*

02-1 Preparation of Financial Statements

Stearns County is required to prepare financial statement in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal control over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Stearns County has established controls and procedures for recording, processing, and summarizing its accounting data used in the preparation of its financial statements.

As is the case with many medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition was caused by the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of preparing them internally. As a result of this condition, the government lacks internal control over the preparation of financial statements in accordance with GAAP.

We recommend Stearns County evaluate its current staffing levels to determine the feasibility of internally preparing its annual financial statements in accordance with GAAP. If the County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, the appropriate level of staff must review and approve the County's financial statements, including notes.

Client's Response:

*Because of cost efficiencies, it has been the decision of the County to have external auditors assist in the preparation of the annual basic financial statements rather than preparing them fully internally. The County has intentions to fully prepare the annual financial statements at some point in time dependent upon available manpower and other resources needed to perform this task.*

06-1 Audit Adjustments

A control deficiency 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 misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified the following material adjustments:

- Receivables in the Road and Bridge Special Revenue Fund were increased by \$4,247,702 for state-aid highway project allotments. At the fund level, the additional receivables were offset by deferred revenue in the amount of \$3,472,883 for receivables not available during the revenue recognition period. This entry also increased receivables and revenues in the government-wide financial statements.
- Contracts payable and related expenditures were increased by \$77,755 in the Road and Bridge Special Revenue Fund.
- Receivables and related revenues were increased by \$30,392 in the Solid Waste Special Revenue Fund.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the County's internal control.

We recommend the County establish internal controls necessary to determine that all adjusting entries are made to ensure the County's annual financial statements are reported in accordance with GAAP.

Client's Response:

*It is the intent of the County to have County personnel calculate and create the entries necessary for all year-end adjustments. This will be accomplished by either assigning County personnel able to make these entries to this task or provide assistance or training to staff which will facilitate this task.*

ITEMS ARISING THIS YEAR

07-1 Accounting Policies and Procedures

The County does not have a current and comprehensive accounting policies and procedures manual. All governments should document their accounting policies and procedures over areas such as receipts, disbursements, journal entries, credit cards, and capital assets. Although other forms are acceptable, this documentation is traditionally in the form of an accounting policies and procedures manual which documents the internal control system.

An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. It can also help to prevent deterioration of key elements in the County's internal control system and can help to avoid circumvention of County policies.

We recommend the County Auditor-Treasurer's Office develop a comprehensive accounting policies and procedures manual including documentation for the internal control systems over receipts, disbursements, journal entries, credit cards, and capital assets. The manual should be prepared by appropriate levels of management and be approved by the County Board to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform the procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support of controls.

Client's Response:

*The County is in the process of composing an accounting policies and procedures manual.*

07-2 Segregation of Duties - Vendor Setup

During our review of the general disbursements process, we noted that several individuals have the ability to both process disbursements and set up new vendors. If at all possible, these duties should be segregated. Someone independent of the disbursements process should review, verify, and approve new vendors at least monthly.

We recommend management re-evaluate whether separation of duties between disbursements and vendor setup is possible. Procedures should be developed to monitor new vendors entered into the system.

Client's Response:

*As stated previously, the County is in the process of establishing an accounting policies and procedures manual. The manual would address this finding. However, the County is also in the process of installing a new version of accounting software that will assist in this area because of workflow capabilities that can be assigned to specific individuals that would have oversight in this area.*

07-3 Controls Over Accounting System Journal Entries

Stearns County limits access to the journal entry function to certain County employees. During our review, we noted that the employees with access to the journal entry function can both create and post journal entries without review or approval by a second person.

The ability to make journal entries on the accounting system is a powerful function because it allows changes to be made to the general ledger system. Control over journal entries should include:

- limited access to only those employees whose job duties require it,
- an explanation of why the journal entry is being made and who is making it,
- sufficient documentation to support the journal entry amounts,
- proper supervisory review and approval of journal entries, and
- evidence that controls have been monitored by someone independent of the journal entry process.



We recommend the County strengthen controls over journal entries by: (1) adopting formal policies and procedures over the journal entry process, and (2) requiring journal entries to display evidence that they were reviewed by a second individual. In addition, a report should be generated periodically that lists journal entries that are not automatic or routine which have been posted to the general ledger system. Review and monitoring of this report should be done on a regular basis to ensure that journal entries made have been reviewed and approved.

Client's Response:

*As stated previously, the County is in the process of establishing an accounting policies and procedures manual. The manual would address this finding. However, the County is also in the process of installing a new version of accounting software that will assist in this area because of workflow capabilities that can be assigned to specific individuals that would have oversight in this area.*

07-4 Jail Inmate Account Bank Reconciliation

The Stearns County Jail has been unable to successfully identify the total cash balance as recorded on its inmate account tracking system, TEAM. Since the total amount of cash cannot be identified, Jail personnel have been unable to reconcile the amount in the Jail checking account to the bank statement.

Without bank reconciliations, the County has no assurance that the book balance is accurately stated. Bank reconciliations would provide evidence that all funds received and disbursed through the checking account have been recorded in TEAM.

We recommend County Jail personnel contact the software vendor to obtain the support and training necessary to accurately identify the TEAM cash balance. The Jail checking account should then be reconciled to the bank statement on a monthly basis.

Client's Response:

*There have problems in this area due to lack of software tools that can track the inmates' accounts to a great degree. Different software has been installed, and this should assist in this area. In addition, the Auditor's Office will provide greater oversight in this area so that bank statements are reconciled on a monthly basis.*

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**Jail Internal Controls (04-1)**

An automated system is in place which tracks all monetary transactions related to jail inmates. While maintaining this automated system, correctional officers occasionally make posting errors. When this occurred in the prior audit, a refund was entered on the system and was automatically posted to the proper inmate's account; however, the refunds did not automatically post against the site charge they were refunding. Instead, a separate refund report was generated which was used to manually post refunds to the proper site charges. Since this report provided very little information, it was often difficult for the correctional officers to determine which site charges were refunded and why. We were, therefore, unable to determine that refunds were applied to the correct site charge and that the correct amounts were subsequently being turned over to the Auditor-Treasurer's Office each month.

**Resolution**

During 2007, the County Jail received an upgrade to the automated system which corrected the problem.

**Parks Department (06-2)**

In our previous audit, we found that the Parks Department was issuing receipts only if requested by the customer, and permits were not prenumbered. As a result, we were unable to verify that all collections in the Parks Department had been remitted to the County Auditor-Treasurer, and collections could not be reconciled to the number of permits sold.

**Resolution**

The Parks Department is now using a prenumbered receipt book for all collections. Although permits are not prenumbered, they are being assigned to specific gatekeepers and are being reconciled on a daily basis.

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

#### INTERNAL CONTROL

#### ITEM ARISING THIS YEAR

07-5 Child Care and Development Block Grant, CFDA #93.575; and Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA #93.596 - Activities Allowed and Unallowed, and Eligibility

We reviewed a representative sample of 40 Child Care participant files and noted the following exceptions:

- In five instances, the case file was missing the contract with the vendor. Also, the case files contained no explanation documenting why the vendor contracts were missing.
- In two instances, the case file did not include evidence that an applicant was offered an opportunity to sign an informational release form, which permits the County to verify whether the applicant qualifies for Child Care assistance.

We recommend the client document within each Child Care case file: (1) the contract with the vendor or, if there is no contract, the reason why a contract is not required; and (2) evidence that the applicant was offered an opportunity to sign an informational release form.

#### Corrective Action Plan:

#### Contact Person Responsible for Corrective Action:

*Janet Goligowski, Division Director  
Gateway Services Division*

#### Action Planned for Item #1:

1. *The Finance Division Director and the Gateway Services Division Director reviewed the files for the missing vendor contracts. In 3 of the 5 case files a contractual document in the form of a service agreement was found in the case file. This document lists the service period, the rate to be charged, the client name and a vendor signature. This is the document that is used by the department to authorize payment.*

Schedule 13  
(Continued)

2. *The Gateway Services Division Director will be discussing with the Child Care Unit the requirement to have a service agreement signed by the provider/vendor in every case file.*
3. *In 2008, the Minnesota Department of Human Services is transitioning all child care payments to an electronic system - Minnesota Electronic Child Care (MEC2). This will be changing the process for child care payments. The payments will no longer be issued by the County but will be issued by the State and the service agreement will no longer be required to be signed by the vendor/provider and will be sent out by the State rather than the County.*

Completion Date:

*December 2008*

Action Planned for Item #2:

1. *The Human Services Department has annual training on Government Data Practices which includes discussion on the requirement of Authorization for Release of Information to be obtained from clients. The Finance Division Director and the Gateway Services Division Director reviewed both case files and were able to locate 1 instance where an Authorization for Release of Information was found in the case file.*
2. *The Gateway Services Division Director will review the content of the training with the staff involved with the specific case files not meet the test requirements.*
3. *The Gateway Services Division Director will be reminding child care staff at a unit meeting the need to have an Authorization for Release of Information signed by the client and in the client case file.*
4. *This component will be added to the existing process for the TANF audit to ensure the case files reviewed have an Authorization for Release of Information signed by the client and included in the file.*

Completion Date:

*January 2009*



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

Board of County Commissioners  
Stearns County

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stearns County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 24, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Housing and Redevelopment Authority (HRA) of Stearns County, the discretely presented component unit, for the year ended June 30, 2007, as described in our report on Stearns 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 Stearns 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-6, 02-1, 06-1, and 07-1 through 07-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Stearns County complied with the material terms and conditions of applicable legal provisions.

Stearns County's written responses to the significant deficiencies 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, audit committee, 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*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 24, 2008

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

Board of County Commissioners  
Stearns County

### Compliance

We have audited the compliance of Stearns County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Stearns 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.

Stearns County's financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Stearns County component unit, which expended \$2,105,227 in federal awards during the year ended June 30, 2007. This amount is not included in the County's Schedule of Expenditures of Federal Awards for the year ended December 31, 2007. Our audit, described below, did not include the operations of the HRA of Stearns County because it had a separate Single Audit in accordance with OMB Circular A-133.

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 Stearns 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, Stearns County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

### Internal Control Over Compliance

The management of Stearns County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in Stearns County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-5 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Stearns County's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stearns County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 24, 2008. We did not audit the financial statements of the HRA of Stearns County discretely presented component unit for the year ended June 30, 2007. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stearns County's corrective action plan to the federal award finding identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plan and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of County Commissioners, audit committee, 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

November 24, 2008

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 14**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<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	\$ 428,161
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	<u>24,846</u>
<b>Total U.S. Department of Agriculture</b>		<b>\$ <u>453,007</u></b>
<b>U.S. Department of Housing and Urban Development</b>		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grant	14.228	\$ 120,453
Lead Hazard Reduction Demonstration Grant	14.905	<u>100,874</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<b>\$ <u>221,327</u></b>
<b>U.S. Department of Justice</b>		
Direct State Criminal Alien Assistance Program	16.606	\$ 84,596
Passed Through Minnesota Department of Public Safety Juvenile Accountability Block Grant	16.523	<u>10,173</u>
<b>Total U.S. Department of Justice</b>		<b>\$ <u>94,769</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 3,216,718
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	48,287
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	4,906
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>47,309</u>
<b>Total U.S. Department of Transportation</b>		<b>\$ <u>3,317,220</u></b>
<b>U.S. Election Assistance Commission</b>		
Passed Through Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	<b>\$ <u>92,577</u></b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***Schedule 14  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<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 Central Minnesota Council on Aging Special Programs for the Aging - Title IIIB	93.044	\$ 15,686
Passed Through Minnesota Department of Health Immunization Grant	93.268	42,693
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	185,419
Temporary Assistance for Needy Families (TANF)	93.558	90,710
Maternal and Child Health Services Block Grant	93.994	136,041
Passed Through Minnesota Department of Human Services Projects for Assistance in Transition from Homelessness (PATH)	93.150	35,497
Promoting Safe and Stable Families	93.556	13,305
Temporary Assistance for Needy Families (TANF)	93.558	709,937
Family Support Payments to States - Assistance Payments	93.560	4,328
Child Care Cluster Child Care and Development Block Grant	93.575	696,690
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	504,567
Foster Care (Title IV-E)	93.658	102,931
Social Services Block Grant (Title XX)	93.667	624,908
Chafee Foster Care Independence Program	93.674	6,027
Block Grants for Community Mental Health Services	93.958	20,720
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 3,189,459</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 13,542
Passed Through Minnesota Department of Public Safety Hazard Mitigation Grant	97.039	3,487
Emergency Management Performance Grants	97.042	37,197
Homeland Security Grant Program	97.067	339,102
Passed Through West Central Emergency Medical Services Homeland Security Grant Program	97.067	25,526
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 418,854</b>
<b>Total Federal Awards</b>		<b>\$ 7,787,213</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***Schedule 14  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the County. The County's reporting entity is defined in Note 1 to the basic financial statements. This schedule does not include \$2,105,227 of federal awards expended by the Housing and Redevelopment Authority of Stearns County, a component unit.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Due to timing differences in revenue recognition under the modified accrual basis, expenditures on this schedule do not match the federal revenues reported in the financial statements. In 2007, \$92,577 of current year expenditures for CFDA No. 90.401 were not recognized as revenues because they were recognized during 2006.
3. During 2007, CFDA Nos. 14.905 and 14.228 were passed through to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.