

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

STEARNS COUNTY
ST. CLOUD, MINNESOTA

YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Year Ended December 31, 2009



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

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**ORGANIZATION SCHEDULE
2009**

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	DeWayne Mareck	March 2006	January 2013
2nd District	Mark Sakry	January 2003	January 2011
3rd District	Vince Schaefer	January 2003	January 2011
4th District	Leigh Lenzmeier*	January 2005	January 2013
5th District	Don Otte	January 2003	January 2011
Officers			
Elected			
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
Appointed			
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 2008	May 2012
Medical Examiner	Jennifer Thorsten		Indefinite
Information Services	Dr. David Frederickson	January 2009	January 2010
Parks	George McClure		Indefinite
Environmental Service	Charles Wocken		Indefinite
Purchasing	Don Adams		Indefinite
Veterans Service Officer	Bill Davison		Indefinite
Human Services Director	Terry Ferdinandt	May 2008	May 2012
	Roma Steil		Indefinite

*Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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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, 2009, including the Housing and Redevelopment Authority (HRA) of Stearns County as of and for the year ended June 30, 2009, 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, 2009, including the HRA of Stearns County as of June 30, 2009, 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 September 29, 2010, 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

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

FINANCIAL HIGHLIGHTS

- The assets of Stearns County exceeded its liabilities by \$266,929,352 (net assets). Of this amount, \$44,626,266 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 \$10,376,251 (30.3 percent) compared to December 31, 2008.
- The County's total net assets increased by \$17,327,466, or about 6.9 percent, over the prior year.
- As of the close of the fiscal year, Stearns County's governmental funds reported combined ending fund balances of \$53,072,112. Of this amount, \$50,001,684, or approximately 94.2 percent, is available for spending at the County's discretion.
- At the end of the year, unreserved fund balance for the General Fund was \$20,649,040. This is approximately 46.7 percent of total General Fund expenditures during the year and an increase of \$2,025,299 over the fund's 2008 unreserved fund balance. At the end of 2008, the General Fund's unreserved fund balance was approximately 43.6 percent of total expenditures.
- Total bonded debt at the end of the year was \$23,685,666, net of premiums and discounts. In 2009, the County issued no bonds and paid \$5,885,000 of bond principal, decreasing bonded debt by 19.9 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); the basic financial statements; and supplementary 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.

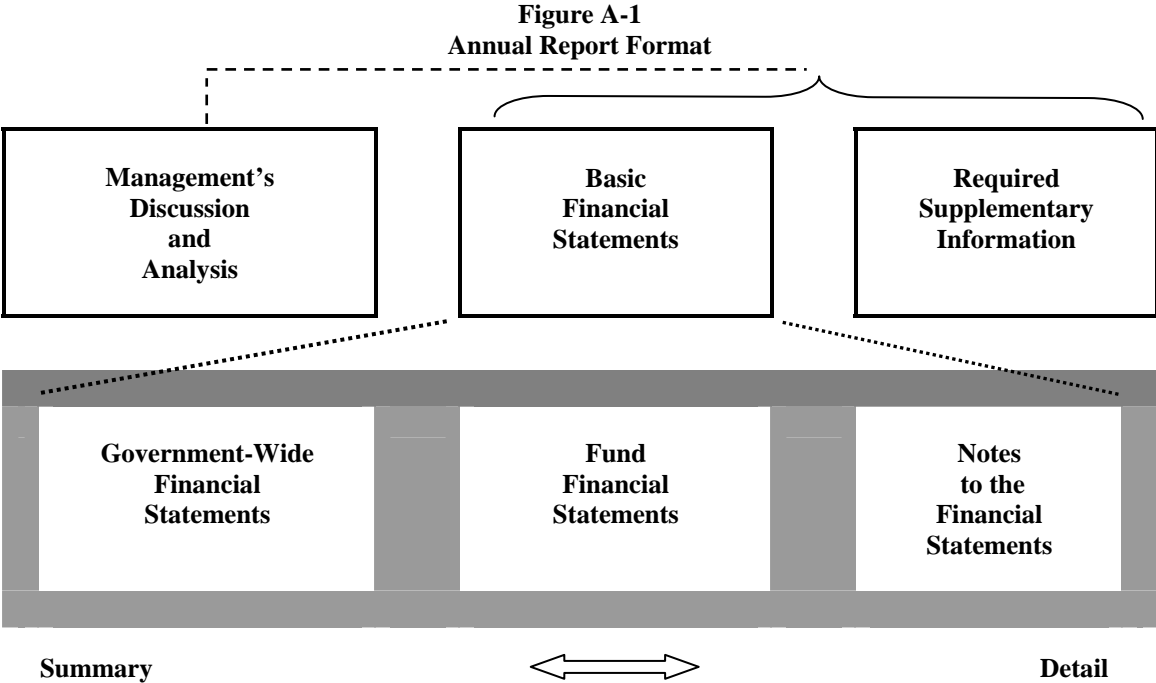


Figure A-2 summarizes the major features of the County’s financial statements, including the portion of the County’s activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and content of each of the statements.

Figure A-2 Major Features of the County’s Government-Wide and Fund Financial Statements				
	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
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 operating statement	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, and 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 nonfinancial 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 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, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to explain the relationship (or differences) between them.

- Proprietary funds - The County maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Stearns County uses an enterprise fund to account for its Septic Loan Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among Stearns County's various functions. Stearns County uses an internal service fund to account for its information services improvements. These services benefit governmental functions and have been allocated to governmental activities in the government-wide financial statements.
- 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 \$266,929,352 on December 31, 2009. (See Table A-1.)

	Table A-1		
	Net Assets		
	<u>2009</u>	<u>2008</u>	<u>Percent (%) Change</u>
Assets			
Current and other assets	\$ 72,226,703	\$ 72,761,870	(0.7)
Capital assets	234,279,934	222,993,601	5.1
Total Assets	\$ 306,506,637	\$ 295,755,471	3.6
Liabilities			
Current liabilities	\$ 12,148,331	\$ 15,420,656	(21.2)
Long-term liabilities	27,428,954	30,732,929	(10.8)
Total Liabilities	\$ 39,577,285	\$ 46,153,585	(14.3)
Net Assets			
Invested in capital assets, net of related debt	\$ 220,011,749	\$ 212,822,643	3.4
Restricted	2,291,337	2,529,228	(9.4)
Unrestricted	44,626,266	34,250,015	30.3
Total Net Assets	\$ 266,929,352	\$ 249,601,886	6.9

(Unaudited)

Page 8

Changes in Net Assets

The county-wide total revenues were \$119,347,859 for the year ended December 31, 2009. Property taxes and intergovernmental revenues accounted for 92.0 percent of total revenue for the year. (See Figure A-2.)

Table A-2
Changes in Net Assets

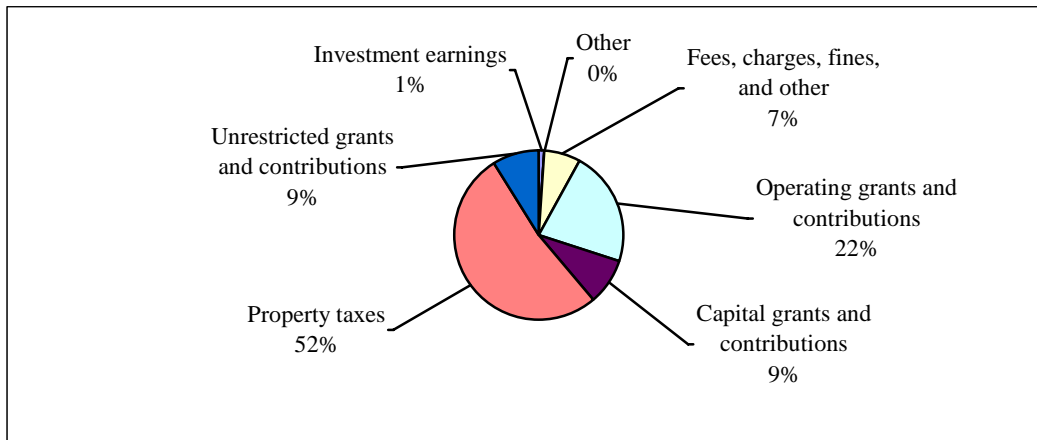
	<u>2009</u>	<u>2008</u>	<u>Percent (%) Change</u>
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 8,603,354	\$ 9,733,142	(11.6)
Operating grants and contributions	25,749,960	27,701,710	(7.0)
Capital grants and contributions	10,596,312	7,416,086	42.9
General revenues			
Property taxes	61,666,309	57,493,101	7.3
Unrestricted grants and contributions	11,533,652	10,591,336	8.9
Unrestricted investment earnings	908,625	2,158,480	(57.9)
Other	289,647	172,849	67.6
Total Revenues	<u>\$ 119,347,859</u>	<u>\$ 115,266,704</u>	3.5
Expenses			
General government	\$ 18,844,180	\$ 18,205,417	3.5
Public safety	27,571,142	25,808,551	6.8
Highways and streets	12,395,262	14,396,663	(13.9)
Sanitation	669,078	378,112	77.0
Human services	30,054,757	31,830,352	(5.6)
Health	2,266,301	2,186,127	3.7
Culture and recreation	4,552,665	4,347,123	4.7
Conservation of natural resources	4,447,393	4,619,533	(3.7)
Economic development	322,591	286,570	12.6
Interest	897,024	947,882	(5.4)
Total Expenses	<u>\$ 102,020,393</u>	<u>\$ 103,006,330</u>	(1.0)
Increase in Net Assets	<u>\$ 17,327,466</u>	<u>\$ 12,260,374</u>	41.3
Beginning Net Assets	<u>249,601,886</u>	<u>237,341,512</u>	5.2
Ending Net Assets	<u>\$ 266,929,352</u>	<u>\$ 249,601,886</u>	6.9

Total revenues surpassed expenses, increasing net assets \$17,327,466 over last year.

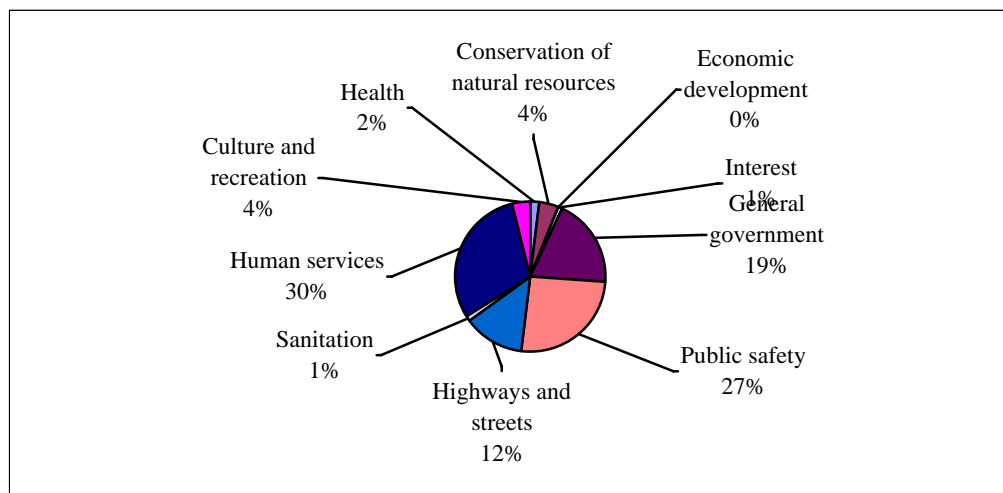
The county-wide cost of all governmental activities this year was \$102,019,783.

- Some of the cost was paid by the users of the County’s programs (\$8,601,846).
- The federal and state governments subsidized certain programs with grants and contributions (\$36,346,272).
- The remaining County costs (\$57,071,665), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$61,666,309 in property taxes, \$11,533,652 in state aid, and \$1,198,272 with investment earnings and other general revenues.

**Figure A-3
Sources of County Revenues for 2009**



**Figure A-4
County Expenses for 2009**



**Table A-3
Cost of Services
Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2009	2008	Percent (%) Change	2009	2008	Percent (%) Change
General government	\$ 18,844,180	\$ 18,205,417	3.5	\$ 14,668,967	\$ 13,529,106	8.4
Public safety	27,571,142	25,808,551	6.8	22,031,513	20,622,014	6.8
Highways and streets	12,395,262	14,396,663	(13.9)	(2,591,303)	1,247,579	(307.7)
Sanitation	668,468	377,434	77.1	(547,726)	(997,610)	45.1
Human services	30,054,757	31,830,352	(5.6)	14,937,173	15,074,872	(0.9)
Health	2,266,301	2,186,127	3.7	183,323	306,161	(40.1)
Culture and recreation	4,552,665	4,347,123	4.7	4,074,718	4,161,074	(2.1)
Conservation of natural resources	4,447,393	4,619,533	(3.7)	3,135,276	3,034,300	3.3
Economic development	322,591	286,570	12.6	282,700	230,271	22.8
Interest	897,024	947,882	(5.4)	897,024	947,882	(5.4)
Total	\$ 102,019,783	\$ 103,005,652	(1.0)	\$ 57,071,665	\$ 58,155,649	(1.9)

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 \$53,072,112. Of this amount, \$50,001,684, or approximately 94 percent, is available for spending at the County's discretion.

Revenues for the County's governmental funds were \$113,583,881, while total expenditures were \$118,593,864.

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-4
General Fund Revenues**

Source	Year Ended December 31		Change	
	2009	2008	Increase/ (Decrease)	Percent (%) Change
Taxes	\$ 27,221,000	\$ 25,711,326	\$ 1,509,674	5.9
Intergovernmental	11,713,038	10,618,922	1,094,116	10.3
Charges for services	4,263,643	4,355,148	(91,505)	(2.1)
Investment income	877,212	2,045,470	(1,168,258)	(57.1)
Miscellaneous and other	1,794,117	2,348,269	(554,152)	(23.6)
Total General Fund Revenues	\$ 45,869,010	\$ 45,079,135	\$ 789,875	1.8

Total General Fund revenues increased by \$789,875, or 1.8 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-5
General Fund Expenditures**

Function	Year Ended December 31		Change	
	2009	2008	Increase/ (Decrease)	Percent (%) Change
General government	\$ 17,325,665	\$ 16,965,584	\$ 360,081	2.1
Public safety	19,739,368	18,623,484	1,115,884	6.0
Culture and recreation	2,694,800	2,588,656	106,144	4.1
Conservation of natural resources	4,333,684	4,492,268	(158,584)	(3.5)
Economic development	142,379	77,064	65,315	84.8
Total General Fund Expenditures	\$ 44,235,896	\$ 42,747,056	\$ 1,488,840	3.5

General Fund Budgetary Highlights

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

- Actual revenues were \$903,388 more than expected.
- The actual expenditures were \$1,260,715 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 2009, the County had invested over \$234,000,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-6.) 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 \$6,512,844.

**Table A-6
Capital Assets**

	2009	2008	Percent (%) Change
Land	\$ 13,471,135	\$ 12,698,065	6.1
Construction in progress	16,825,757	42,668,552	(60.6)
Right-of-way	9,906,577	5,626,344	76.1
Infrastructure	194,596,802	160,107,491	21.5
Buildings	50,140,346	47,532,880	5.5
Machinery, furniture, and equipment	19,065,078	17,987,180	6.0
Less: accumulated depreciation	<u>(69,725,761)</u>	<u>(63,626,911)</u>	(9.6)
Total	<u>\$ 234,279,934</u>	<u>\$ 222,993,601</u>	5.1

LONG-TERM LIABILITIES

At year-end, the County had \$32,639,689 in long-term liabilities outstanding. The current portion of these liabilities is \$5,210,735.

**Table A-7
Long-Term Liabilities**

	2009	2008	Increase/ (Decrease)	Percent (%) Change
General obligation bonds payable	\$ 16,520,512	\$ 20,181,267	\$ (3,660,755)	(18.1)
Revenue bonds payable	7,165,154	9,395,154	(2,230,000)	(23.7)
Loans payable	25,000	25,000	-	-
Compensated absences payable	7,575,238	6,724,643	850,595	12.6
OPEB liability	<u>1,353,785</u>	<u>611,958</u>	<u>741,827</u>	121.2
Total	<u>\$ 32,639,689</u>	<u>\$ 36,938,022</u>	<u>\$ (4,298,333)</u>	(11.6)

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, 2009**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority of Stearns County
<u>Assets</u>				
Cash and pooled investments	\$ 55,330,546	\$ 3,214	\$ 55,333,760	\$ 1,211,456
Petty cash and change funds	10,840	-	10,840	-
Departmental cash	2,500	-	2,500	-
Taxes receivable delinquent	2,196,609	-	2,196,609	171,533
Special assessments receivable				
Delinquent	79,707	-	79,707	-
Deferred	630,343	-	630,343	-
Accounts receivable - net	421,102	-	421,102	8,290
Accrued interest receivable	116,682	-	116,682	9,763
Loans receivable	206,382	28,828	235,210	27,397
Internal balances	30,500	(30,500)	-	-
Due from other governments	12,569,358	-	12,569,358	216,947
Inventories	481,733	-	481,733	-
Prepaid items	1,823	-	1,823	6,002
Deferred charges	147,036	-	147,036	63,837
Assets held for resale	-	-	-	416,185
Capital assets				
Non-depreciable	40,204,158	-	40,204,158	328,894
Depreciable - net of accumulated depreciation	194,075,776	-	194,075,776	3,448,333
Total Assets	\$ 306,505,095	\$ 1,542	\$ 306,506,637	\$ 5,908,637
<u>Liabilities</u>				
Accounts payable	\$ 3,265,645	\$ -	\$ 3,265,645	\$ 49,229
Salaries payable	1,957,960	-	1,957,960	39,819
Contracts payable	261,141	-	261,141	-
Due to other governments	975,011	-	975,011	-
Accrued interest payable	118,506	-	118,506	17,144
Unearned revenue	359,333	-	359,333	-
Noncurrent liabilities				
Due within one year	5,210,735	-	5,210,735	106,728
Due in more than one year	27,428,954	-	27,428,954	1,875,076
Total Liabilities	\$ 39,577,285	\$ -	\$ 39,577,285	\$ 2,087,996

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, 2009**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority of Stearns County
<u>Net Assets</u>				
Invested in capital assets - net of related debt	\$ 220,011,749	\$ -	\$ 220,011,749	\$ 1,912,873
Restricted for				
General government	673,349	-	673,349	-
Public safety	499,720	-	499,720	-
Sanitation	57,339	-	57,339	-
Conservation of natural resources	202,666	-	202,666	-
Economic development	858,263	-	858,263	-
Debt service	-	-	-	19,761
Section 8 housing	-	-	-	101,843
Future projects	-	-	-	362,132
Unrestricted	44,624,724	1,542	44,626,266	1,424,032
Total Net Assets	\$ 266,927,810	\$ 1,542	\$ 266,929,352	\$ 3,820,641

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

	Expenses	Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
<u>Functions/Programs</u>			
Primary government			
Governmental activities			
General government	\$ 18,844,180	\$ 3,621,137	\$ 554,076
Public safety	27,571,142	1,234,925	4,263,107
Highways and streets	12,395,262	68,265	4,390,458
Sanitation	668,468	546,857	669,337
Human services	30,054,757	2,187,707	12,929,877
Health	2,266,301	264,934	1,818,044
Culture and recreation	4,552,665	109,812	368,035
Conservation of natural resources	4,447,393	528,318	757,026
Economic development	322,591	39,891	-
Interest	897,024	-	-
	\$ 102,019,783	\$ 8,601,846	\$ 25,749,960
Business-type activities			
Solid waste	610	1,508	-
	\$ 102,020,393	\$ 8,603,354	\$ 25,749,960
Component unit			
Housing and Redevelopment Authority of Stearns County	\$ 3,055,323	\$ 336,809	\$ 1,925,298

General Revenues

Property taxes
Gravel taxes
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain on sale of capital assets
Special item - asset write off

Total general revenues and special items

Change in net assets

Net Assets - January 1, as restated (Note 6.G.)

Net Assets - Ending

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Unit Housing and Redevelopment Authority of Stearns County
\$ -	\$ (14,668,967)	\$ -	\$ (14,668,967)	
41,597	(22,031,513)	-	(22,031,513)	
10,527,842	2,591,303	-	2,591,303	
-	547,726	-	547,726	
-	(14,937,173)	-	(14,937,173)	
-	(183,323)	-	(183,323)	
100	(4,074,718)	-	(4,074,718)	
26,773	(3,135,276)	-	(3,135,276)	
-	(282,700)	-	(282,700)	
-	(897,024)	-	(897,024)	
\$ 10,596,312	\$ (57,071,665)	\$ -	\$ (57,071,665)	
-	-	898	898	
\$ 10,596,312	\$ (57,071,665)	\$ 898	\$ (57,070,767)	
\$ 44,972				\$ (748,244)
	\$ 61,666,309	\$ -	\$ 61,666,309	\$ 227,769
	37,781	-	37,781	-
	204,621	-	204,621	-
	11,533,652	-	11,533,652	25,221
	908,625	-	908,625	47,097
	47,245	-	47,245	-
	-	-	-	(153,726)
	\$ 74,398,233	\$ -	\$ 74,398,233	\$ 146,361
	\$ 17,326,568	\$ 898	\$ 17,327,466	\$ (601,883)
	249,601,242	644	249,601,886	4,422,524
	\$ 266,927,810	\$ 1,542	\$ 266,929,352	\$ 3,820,641

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 24,558,077	\$ 3,199,156
Petty cash and change funds	10,020	-
Departmental cash	2,500	-
Taxes receivable delinquent	960,360	258,046
Special assessments receivable		
Delinquent	-	-
Deferred	-	-
Accounts receivable	371,201	-
Accrued interest receivable	116,682	-
Loans receivable	-	-
Due from other governments	245,449	10,112,076
Inventories	27,582	454,151
Advance to other funds	-	-
Prepaid items	100	-
	\$ 26,291,971	\$ 14,023,429
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 1,775,434	\$ 573,850
Salaries payable	1,052,781	146,213
Contracts payable	-	261,141
Due to other governments	649,051	9,586
Deferred revenue - unavailable	808,922	9,524,126
Deferred revenue - unearned	106,351	-
Advance from other funds	-	283,570
	\$ 4,392,539	\$ 10,798,486
Fund Balances		
Reserved (Note 3.D.)	\$ 1,250,392	\$ 454,151
Unreserved		
Designated (Note 3.D.)	19,407,966	2,393,696
Undesignated	1,241,074	377,096
Reported in nonmajor special revenue funds	-	-
	\$ 21,899,432	\$ 3,224,943
	\$ 26,291,971	\$ 14,023,429

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

EXHIBIT 3

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 15,062,632	\$ 4,829,038	\$ 1,572,551	\$ 5,775,050	\$ 54,996,504
300	-	-	520	10,840
-	-	-	-	2,500
774,431	160,017	-	43,755	2,196,609
-	11,187	-	68,520	79,707
-	526,983	-	103,360	630,343
46,611	-	-	3,290	421,102
-	-	-	-	116,682
-	-	-	206,382	206,382
2,182,164	-	26,773	2,896	12,569,358
-	-	-	-	481,733
-	-	-	314,070	314,070
1,723	-	-	-	1,823
<u>\$ 18,067,861</u>	<u>\$ 5,527,225</u>	<u>\$ 1,599,324</u>	<u>\$ 6,517,843</u>	<u>\$ 72,027,653</u>
\$ 662,591	\$ -	\$ 110,814	\$ 114,256	\$ 3,236,945
739,535	-	-	19,431	1,957,960
-	-	-	-	261,141
311,701	-	-	4,673	975,011
685,190	661,540	-	201,803	11,881,581
46,600	-	-	206,382	359,333
-	-	-	-	283,570
<u>\$ 2,445,617</u>	<u>\$ 661,540</u>	<u>\$ 110,814</u>	<u>\$ 546,545</u>	<u>\$ 18,955,541</u>
\$ -	\$ -	\$ 247,617	\$ 1,118,268	\$ 3,070,428
71,630	4,865,685	1,240,893	-	27,979,870
15,550,614	-	-	-	17,168,784
-	-	-	4,853,030	4,853,030
<u>\$ 15,622,244</u>	<u>\$ 4,865,685</u>	<u>\$ 1,488,510</u>	<u>\$ 5,971,298</u>	<u>\$ 53,072,112</u>
<u>\$ 18,067,861</u>	<u>\$ 5,527,225</u>	<u>\$ 1,599,324</u>	<u>\$ 6,517,843</u>	<u>\$ 72,027,653</u>

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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, 2009**

Fund balances - total governmental funds (Exhibit 3)		\$ 53,072,112
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.		234,279,934
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		11,881,581
An internal service fund is used by the County to charge the cost of improvements for information services to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		305,342
Deferred debt issuance charges are not available to pay current expenditures and, therefore, are not deferred in the funds.		147,036
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable - net of premium and discount	\$ (23,685,666)	
Loans payable	(25,000)	
Compensated absences	(7,575,238)	
Other postemployment benefits liability	<u>(1,353,785)</u>	(32,639,689)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		<u>(118,506)</u>
Net Assets of Governmental Activities (Exhibit 1)		<u>\$ 266,927,810</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 27,221,000	\$ 7,251,545
Special assessments	-	-
Licenses and permits	483,655	33,020
Intergovernmental	11,713,038	8,433,387
Charges for services	4,263,643	2,223
Fines and forfeits	122,705	-
Gifts and contributions	4,030	-
Investment income	877,212	-
Miscellaneous	1,183,727	33,022
	<u>\$ 45,869,010</u>	<u>\$ 15,753,197</u>
Expenditures		
Current		
General government	\$ 17,325,665	\$ -
Public safety	19,739,368	-
Highways and streets	-	15,108,630
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	2,694,800	-
Conservation of natural resources	4,333,684	82,255
Economic development	142,379	-
Intergovernmental		
Highways and streets	-	559,128
Culture and recreation	-	-
Capital outlay		
General government	-	-
Public safety	-	-
Highways and streets	-	-
Human services	-	-
Culture and recreation	-	-
Debt service		
Principal	-	-
Interest	-	-
	<u>\$ 44,235,896</u>	<u>\$ 15,750,013</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 1,633,114</u>	<u>\$ 3,184</u>

EXHIBIT 5

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 21,256,249	\$ 4,264,082	\$ -	\$ 1,258,859	\$ 61,251,735
-	112,053	-	659,145	771,198
-	-	-	66,160	582,835
18,940,362	807,428	571,518	453,653	40,919,386
1,522,117	-	-	471,295	6,259,278
-	-	-	150,471	273,176
-	-	100	4,945	9,075
-	-	-	42,087	919,299
1,239,504	-	13,795	127,851	2,597,899
\$ 42,958,232	\$ 5,183,563	\$ 585,413	\$ 3,234,466	\$ 113,583,881
\$ -	\$ 17,402	\$ -	\$ 320,412	\$ 17,663,479
6,831,168	-	-	17,814	26,588,350
-	-	-	-	15,108,630
-	-	-	635,596	635,596
30,789,152	-	-	-	30,789,152
2,140,211	-	-	-	2,140,211
-	-	-	943,834	3,638,634
-	-	-	2,609	4,418,548
-	-	-	180,212	322,591
-	-	-	-	559,128
-	-	-	396,913	396,913
-	-	3,243,702	-	3,243,702
-	-	2,337,512	-	2,337,512
-	-	160,094	-	160,094
-	-	3,291,198	-	3,291,198
-	-	511,164	-	511,164
-	5,885,000	-	-	5,885,000
-	903,962	-	-	903,962
\$ 39,760,531	\$ 6,806,364	\$ 9,543,670	\$ 2,497,390	\$ 118,593,864
\$ 3,197,701	\$ (1,622,801)	\$ (8,958,257)	\$ 737,076	\$ (5,009,983)

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ 2,052,540	\$ 45,724
Transfers out	(1,553,921)	(402,590)
Proceeds from sale of capital assets	58,337	-
	\$ 556,956	\$ (356,866)
Net Change in Fund Balances	\$ 2,190,070	\$ (353,682)
Fund Balances - January 1	19,709,362	3,607,578
Increase (decrease) in reserved for inventories	-	(28,953)
Fund Balances - December 31	\$ 21,899,432	\$ 3,224,943

EXHIBIT 5
(Continued)

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 753,799	\$ -	\$ 1,510,000	\$ 29,398	\$ 4,391,461
(2,315,272)	-	-	(119,678)	(4,391,461)
-	-	-	-	58,337
<u>\$ (1,561,473)</u>	<u>\$ -</u>	<u>\$ 1,510,000</u>	<u>\$ (90,280)</u>	<u>\$ 58,337</u>
\$ 1,636,228	\$ (1,622,801)	\$ (7,448,257)	\$ 646,796	\$ (4,951,646)
13,986,016	6,488,486	8,936,767	5,324,502	58,052,711
-	-	-	-	(28,953)
<u>\$ 15,622,244</u>	<u>\$ 4,865,685</u>	<u>\$ 1,488,510</u>	<u>\$ 5,971,298</u>	<u>\$ 53,072,112</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, 2009**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (4,951,646)

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 or decrease in revenue deferred as unavailable.

Deferred revenue - unavailable - December 31	\$ 11,881,581	
Deferred revenue - unavailable - January 1	<u>(5,051,223)</u>	6,830,358

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	\$ 17,810,269	
Net book value of assets sold	(11,092)	
Current year depreciation	<u>(6,512,844)</u>	11,286,333

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, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

Principal repayments		
General obligation bonds	\$ 3,655,000	
Revenue bonds	2,230,000	
Current year amortization of issuance costs, discounts, and premiums	<u>(13,031)</u>	5,871,969

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	\$ 27,047	
Change in compensated absences	(850,595)	
Change in other postemployment benefits liability	(741,827)	
Change in inventories	<u>(28,953)</u>	(1,594,328)

An internal service fund is used to charge improvements for information services to the individual funds. The increase or decrease in net assets of the internal service fund is reported in the government-wide statement of activities.

(116,118)

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 17,326,568

PROPRIETARY FUNDS

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT 7

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

	Business-Type Activities Septic Loan Enterprise Fund	Governmental Activities Information Services Improvements Internal Service Fund
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 3,214	\$ 334,042
Noncurrent assets		
Loans receivable	28,828	-
Total Assets	\$ 32,042	\$ 334,042
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ -	\$ 28,700
Noncurrent liabilities		
Advance from other funds	30,500	-
Total Liabilities	\$ 30,500	\$ 28,700
<u>Net Assets</u>		
Unrestricted	\$ 1,542	\$ 305,342

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Business-Type Activities Septic Loan Enterprise Fund	Governmental Activities Information Services Improvements Internal Service Fund
Operating Revenues		
Charges for services	\$ -	\$ 332,500
Intergovernmental	-	41,597
Interest on loans	1,508	-
Total Operating Revenues	\$ 1,508	\$ 374,097
Operating Expenses		
Cost of services	-	490,215
Operating Income (Loss)	\$ 1,508	\$ (116,118)
Nonoperating Revenues (Expenses)		
Interest expense	(610)	-
Change in Net Assets	\$ 898	\$ (116,118)
Net Assets - January 1	644	421,460
Net Assets - December 31	\$ 1,542	\$ 305,342

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009
Increase (Decrease) in Cash and Cash Equivalents**

	Business-Type Activities Septic Loan Enterprise Fund	Governmental Activities Information Services Improvements Internal Service Fund
Cash Flows from Operating Activities		
Interest received on loans	\$ 1,508	\$ -
Receipts from customers and users	2,124	2,056
Receipts from internal services provided	-	330,444
Federal grant received	-	41,597
Payments to suppliers	-	(595,530)
Net cash provided by (used in) operating activities	\$ 3,632	\$ (221,433)
Cash Flows from Noncapital Financing Activities		
Interest paid	\$ (610)	\$ -
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 3,022	\$ (221,433)
Cash and Cash Equivalents at January 1	192	555,475
Cash and Cash Equivalents at December 31	\$ 3,214	\$ 334,042
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Net operating income (loss)	\$ 1,508	\$ (116,118)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
(Increase) decrease in loans receivable	\$ 2,124	\$ -
Increase (decrease) in accounts payable	-	(105,315)
Total adjustments	\$ 2,124	\$ (105,315)
Net Cash Provided by (Used in) Operating Activities	\$ 3,632	\$ (221,433)

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FIDUCIARY FUND

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STEARNS COUNTY
ST. CLOUD, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2009

	<u>Agency Fund</u>
<u>Assets</u>	
Cash and pooled investments	\$ <u>7,628,800</u>
<u>Liabilities</u>	
Accounts payable	\$ 598,636
Due to other governments	<u>7,030,164</u>
Total Liabilities	\$ <u>7,628,800</u>

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

1. Summary of Significant Accounting Policies

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

Blended Component Unit

Blended component units are entities which are legally separate from the County, but are so intertwined that they are, in substance, the same as the County. They are reported as part of the primary government.

The Stearns County Regional Rail Authority is governed by a five-member board consisting of three Stearns County Commissioners and two St. Cloud City Council members, and has the power to levy taxes, issue bonds, and enter into contracts. The Authority was established for the preservation and improvement of local rail service. Although it is legally separate from the County, the activity of the Regional Rail Authority is included in the Stearns County reporting entity as the Regional Rail

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Unit (Continued)

Authority Special Revenue Fund because Stearns County Commissioners comprise a voting majority of the Authority's governing body. Separate financial statements are not available for the Stearns County Regional Rail Authority.

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, 2009.

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.

Joint Ventures

The County participates in a joint venture described in Note 4.C. The County also participates in a jointly-governed organization described in Note 4.D.

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,

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. 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.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 and internal service 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.

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

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 types:

The Information Services Improvements Internal Service Fund accounts for information service projects.

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 and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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**

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, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2009 were \$877,212.

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary funds. 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**

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 and Prepaid Items

All inventories are valued at cost using the first-in/first-out 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.

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

4. Capital Assets

Capital assets, including 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 value at the date of donation.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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.

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**

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

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

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. The unreserved, undesignated account indicates the portion of equity that is available for appropriation in future periods.

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, 2009:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
Economic development	\$ 142,379	\$ 116,000	\$ 26,379
Special Revenue Funds			
Road and Bridge			
Intergovernmental			
Highways and streets	559,128	-	559,128
Human Services			
Current			
Public safety	6,831,168	6,745,872	85,296
County Building			
Current			
Public safety	17,309	-	17,309
County Park			
Current			
Culture and recreation	943,834	856,740	87,094
Debt Service Fund			
Current			
General government	17,402	-	17,402
Debt Service			
Principal	5,885,000	5,851,186	33,814

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 55,330,546
Petty cash and change funds	10,840
Departmental cash	2,500
Business-type activities	
Cash and pooled investments	3,214
Statement of fiduciary net assets	
Fiduciary funds	
Cash and pooled investments	<u>7,628,800</u>
 Total Cash and Investments	 <u>\$ 62,975,900</u>

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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, 2009, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

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 purchased by the County shall be held in safekeeping by a third-party institution designated by the County. At December 31, 2009, 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**

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, 2009, 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	
Federal Home Loan Bank	AAA	S&P		3 - 5 years	\$ 3,159,972
Federal Home Loan Bank	AAA	S&P		5 - 7 years	2,552,828
Federal Home Loan Bank	AAA	S&P		7 - 10 years	2,048,920
Total Federal Home Loan Bank			N/A		\$ 7,761,720
Federal Home Loan Mortgage Corporation	AAA	S&P		3 - 5 years	\$ 3,826,936
Federal Home Loan Mortgage Corporation	AAA	S&P		5 - 7 years	1,249,354
Federal Home Loan Mortgage Corporation	AAA	S&P		7 - 10 years	260,404
Total Federal Home Loan Mortgage Corporation			10.23%		\$ 5,336,694
Federal National Mortgage Association	AAA	S&P		1 - 3 years	\$ 200,236
Federal National Mortgage Association	AAA	S&P		3 - 5 years	1,419,099
Federal National Mortgage Association	AAA	S&P		5 - 7 years	1,057,856
Federal National Mortgage Association	AAA	S&P		7 - 10 years	1,189,875
Total Federal National Mortgage Association			6.03%		\$ 3,867,066
Government National Mortgage Association	AAA	S&P	N/A	>10 years	\$ 25,510
Total U.S. government agency securities					\$ 16,990,990
Negotiable certificates of deposit	N/A	N/A		<1 year	\$ 3,236,013
Negotiable certificates of deposit	N/A	N/A		1 - 3 years	1,637,160
Negotiable certificates of deposit	N/A	N/A		3 - 5 years	1,044,639
Total negotiable certificates of deposit			8.49%		\$ 5,917,812
MAGIC Fund	N/A	N/A	17.94%	N/A	\$ 5,478,827
Total investments					\$ 28,387,629
Deposits					34,574,931
Petty cash and change funds					10,840
Departmental cash					2,500
Total Cash and Investments - Primary Government					\$ 62,975,900

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

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

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.

Loans Receivable

The following economic development loans made to private enterprises under the County's economic development loan program were outstanding at December 31, 2009:

	<u>Original Loan Amount</u>	<u>Balance Repaid at December 31, 2009</u>	<u>Outstanding Balance at December 31, 2009</u>	<u>Term (Years)</u>	<u>Interest Rate (%)</u>
Governmental activities					
Precision Products, Inc.	\$ 50,000	\$ 12,103	\$ 37,897	10	3.0
Royal Tire, Inc.	125,000	91,793	33,207	20	2.0
Wenner Gas Company	50,000	36,584	13,416	8	1.0
Brenny Transportation	75,000	14,414	60,586	10	2.0
Notch Manufacturing, Inc.	<u>75,000</u>	<u>13,724</u>	<u>61,276</u>	10	2.0
Total Loans Receivable - Governmental Activities	<u>\$ 375,000</u>	<u>\$ 168,618</u>	<u>\$ 206,382</u>		
Business-type activities					
Septic system loans					
Various individuals	<u>\$ 44,650</u>	<u>\$ 15,822</u>	<u>\$ 28,828</u>	10	7.0
			<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Amounts expected to be collected within one year			\$ 34,126	\$ 11,612	
Amounts due in more than one year			<u>172,256</u>	<u>17,216</u>	
Total			<u>\$ 206,382</u>	<u>\$ 28,828</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, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 12,698,065	\$ 773,070	\$ -	\$ 13,471,135
Construction in progress	42,668,552	16,845,173	42,687,279	16,826,446
Right-of-way	5,626,344	4,280,233	-	9,906,577
Total capital assets not depreciated	<u>\$ 60,992,961</u>	<u>\$ 21,898,476</u>	<u>\$ 42,687,279</u>	<u>\$ 40,204,158</u>
Capital assets depreciated				
Buildings	\$ 47,532,880	\$ 2,607,467	\$ -	\$ 50,140,347
Machinery and automotive	11,275,724	743,396	373,271	11,645,849
Office furniture and equipment	6,711,456	759,586	51,814	7,419,228
Infrastructure	160,107,491	34,488,623	-	194,596,114
Total capital assets depreciated	<u>\$ 225,627,551</u>	<u>\$ 38,599,072</u>	<u>\$ 425,085</u>	<u>\$ 263,801,538</u>
Less: accumulated depreciation for				
Buildings	\$ 12,372,856	\$ 1,124,491	\$ -	\$ 13,497,347
Machinery and automotive	6,468,603	1,056,853	366,800	7,158,656
Office furniture and equipment	5,225,863	513,824	47,193	5,692,494
Infrastructure	39,559,589	3,817,676	-	43,377,265
Total accumulated depreciation	<u>\$ 63,626,911</u>	<u>\$ 6,512,844</u>	<u>\$ 413,993</u>	<u>\$ 69,725,762</u>
Total capital assets depreciated, net	<u>\$ 162,000,640</u>	<u>\$ 32,086,228</u>	<u>\$ 11,092</u>	<u>\$ 194,075,776</u>
Governmental Activities Capital Assets, Net	<u>\$ 222,993,601</u>	<u>\$ 53,984,704</u>	<u>\$ 42,698,371</u>	<u>\$ 234,279,934</u>

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

Governmental Activities	
General government	\$ 939,601
Public safety	873,081
Highways and streets, including depreciation of infrastructure assets	4,543,610
Human services	59,567
Culture and recreation	94,807
Conservation of natural resources	2,178
Total Depreciation Expense - Governmental Activities	<u>\$ 6,512,844</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Advance From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Solid Waste Fund	Septic Loan Enterprise Fund	\$ 30,500
Economic Development Fund	Road and Bridge Fund	<u>283,570</u>
Total Advance From/To Other Funds		<u>\$ 314,070</u>

The Economic Development Special Revenue Fund advanced funds to the Road and Bridge Special Revenue Fund for the resurfacing of roads. The advance will be repaid with state aid.

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

2. Interfund Transfers

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

	<u>Transfers In</u>	<u>Description</u>
Transfers to General Fund from Human Services Fund	\$ 955,452	Salaries adjustment Cuts to compensate for state cut to
Human Services Fund	574,820	County program aid
Road and Bridge Fund	153,307	Salaries adjustment Cuts to compensate for state cut to
Road and Bridge Fund	249,283	County program aid
County Building Fund	40,000	Equipment purchase adjustment
County Park Fund	26,678	Salaries adjustment Cuts to compensate for state cut to
County Park Fund	<u>53,000</u>	County program aid
Total transfers to General Fund	<u>\$ 2,052,540</u>	

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

2. Interfund Transfers (Continued)

	Transfers In	Description
Transfers to Road and Bridge Fund from General Fund	\$ 45,724	Information services budget changes
Transfers to Human Services Fund from General Fund	\$ 753,799	Information services budget changes
Transfers to Capital Projects Fund from General Fund	\$ 225,000	Future Enterprise Resource Planning (ERP) capital project
General Fund	500,000	Future capital projects funding
Human Services Fund	785,000	Future capital projects funding
Total transfers to Capital Projects Fund	\$ 1,510,000	
Transfers to nonmajor governmental funds from		
General Fund	\$ 5,398	Information services budget changes
General Fund	24,000	Equipment purchase
Total transfers to nonmajor governmental funds	\$ 29,398	
Total Interfund Transfers	\$ 4,391,461	

C. Liabilities

1. Payables

Payables at December 31, 2009, were as follows:

	Governmental Activities
Accounts	\$ 3,265,645
Salaries	1,957,960
Contracts	261,141
Due to other governments	975,011
Accrued interest	118,506
Total Payables	\$ 6,578,263

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenue

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

	Taxes and Special Assessments	Grants	Loans	State-Aid Highway Allotments	Other	Total
Major governmental funds						
General	\$ 732,743	\$ 54,066	\$ -	\$ -	\$ 128,464	\$ 915,273
Road and Bridge	196,708	2,899,685	-	6,427,733	-	9,524,126
Human Services	591,719	140,071	-	-	-	731,790
Debt Service	661,540	-	-	-	-	661,540
Other governmental funds						
County Building	4,299	-	-	-	-	4,299
County Park	23,529	-	-	-	-	23,529
Solid Waste	162,569	-	-	-	-	162,569
Economic Development	-	-	206,382	-	-	206,382
Ditch	9,311	-	-	-	-	9,311
Regional Rail Authority	2,095	-	-	-	-	2,095
Total	\$ 2,384,513	\$ 3,093,822	\$ 206,382	\$ 6,427,733	\$ 128,464	\$ 12,240,914
Deferred revenue						
Unavailable	\$ 2,384,513	\$ 2,993,156	\$ -	\$ 6,427,733	\$ 76,179	\$ 11,881,581
Unearned	-	100,666	206,382	-	52,285	359,333
Total	\$ 2,384,513	\$ 3,093,822	\$ 206,382	\$ 6,427,733	\$ 128,464	\$ 12,240,914

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 \$3,454,264 at December 31, 2009, 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

Bond payments are typically made from the debt service funds. Information on individual bonds payables is as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
General obligation bonds					
2005A G.O. Drainage Bonds	2024	\$40,000 - \$75,000	3.50 - 4.375	\$ 1,090,000	\$ 885,000
1999 G.O. Capital Improvement Bonds	2013	\$105,000 - \$240,000	4.00 - 4.375	2,670,000	890,000
2002A G.O. Capital Improvement Bonds	2012	\$385,000 - \$545,000	2.75 - 4.20	4,560,000	1,565,000
2005B G.O. Capital Improvement Bonds	2010	\$450,000 - \$970,000	2.70 - 3.25	4,995,000	970,000
2008 G.O. Capital Improvement Bonds	2022	\$535,000 - \$1,080,000	3.25 - 4.25	12,800,000	11,185,000
2008B G.O. Refunding Bonds	2011	\$50,000 - \$900,000	2.00 - 2.50	1,800,000	950,000
Total General Obligation Bonds				<u>\$ 27,915,000</u>	<u>\$ 16,445,000</u>
Add: Unamortized premium					<u>78,158</u>
Total General Obligation Bonds, Net					<u>\$ 16,523,158</u>
Revenue bonds					
2006A Public Facilities Revenue Bonds	2020	\$455,000 - \$2,230,000	2.35	<u>\$ 11,200,000</u>	<u>\$ 7,165,154</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, 2009, 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, 2009</u>
1993 Royal Tire	2014	\$632/month	0.00	\$ 125,000	\$ 25,000

6. Debt Service Requirements

Debt service requirements at December 31, 2009, 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>
2010	\$ 3,300,000	\$ 599,217	\$ -	\$ -
2011	1,525,000	504,341	5,910	-
2012	1,630,000	448,136	7,273	-
2013	1,125,000	396,902	7,420	-
2014	915,000	355,177	4,397	-
2015 - 2019	5,080,000	1,220,478	-	-
2020 - 2024	2,870,000	238,647	-	-
Total	<u>\$ 16,445,000</u>	<u>\$ 3,762,898</u>	<u>\$ 25,000</u>	<u>\$ -</u>

<u>Year Ending December 31</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,550,154	\$ 150,498
2011	455,000	126,919
2012	475,000	116,010
2013	480,000	104,749
2014	500,000	93,195
2015 - 2019	3,100,000	267,093
2020	605,000	7,096
Total	<u>\$ 7,165,154</u>	<u>\$ 865,560</u>

**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, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation					
bonds payable	\$ 20,100,000	\$ -	\$ 3,655,000	\$ 16,445,000	\$ 3,300,000
Revenue bonds payable	9,395,154	-	2,230,000	7,165,154	1,550,154
Loans payable	25,000	-	-	25,000	-
Compensated absences	6,724,643	6,547,711	5,697,116	7,575,238	360,581
Bond premiums	85,236	-	7,078	78,158	-
Bond discount	(3,969)	-	(1,323)	(2,646)	-
OPEB liability	611,958	1,041,894	300,067	1,353,785	-
	<u>36,938,022</u>	<u>7,589,605</u>	<u>11,887,938</u>	<u>32,639,689</u>	<u>5,210,735</u>
Total Long-Term Liabilities	<u>\$ 36,938,022</u>	<u>\$ 7,589,605</u>	<u>\$ 11,887,938</u>	<u>\$ 32,639,689</u>	<u>\$ 5,210,735</u>

8. Operating Leases

The County currently has 10 operating leases. The County made operating lease payments totaling \$285,863 in 2009. The following is a schedule of future minimum operating lease payments:

Year Due	Lease Payments
2010	\$ 185,292
2011	144,360
2012	59,741
2013	400
2014	400
2015 - 2019	1,200
Total	<u>\$ 391,393</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	Capital Projects	Other Governmental Funds	Total
Reserved for					
Attorney's forfeited property	\$ 58,999	\$ -	\$ -	\$ -	\$ 58,999
DARE	93,604	-	-	-	93,604
Sheriff's contingency	5,000	-	-	-	5,000
Inventories	-	454,151	-	-	454,151
Recorder's equipment	220,772	-	-	-	220,772
Recorder's compliance	393,578	-	-	-	393,578
E-911	313,465	-	-	-	313,465
DWI vehicle forfeiture	87,651	-	-	-	87,651
Encumbrances	-	-	247,617	-	247,617
Economic development	-	-	-	858,263	858,263
Gravel pit closure	-	-	-	202,666	202,666
Landfill closure	-	-	-	57,339	57,339
Election equipment	77,323	-	-	-	77,323
Total Reserved	\$ 1,250,392	\$ 454,151	\$ 247,617	\$ 1,118,268	\$ 3,070,428

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

	General	Road and Bridge	Human Services	Debt Service	Capital Projects	Other Governmental Funds	Total
Designated for							
Working capital cash flow	\$ 19,065,932	\$ -	\$ -	\$ -	\$ 1,240,893	\$ -	\$ 20,306,825
Subsequent years' expenditures	336,215	2,393,696	71,630	-	-	71,000	2,872,541
K9 unit	-	-	-	-	-	16,277	16,277
Sheriff's equipment	-	-	-	-	-	8,291	8,291
Trails	-	-	-	-	-	207,763	207,763
Sheriff's mounted reserve	5,819	-	-	-	-	-	5,819
Debt service	-	-	-	4,865,685	-	-	4,865,685
Wellness activities	-	-	-	-	-	30,364	30,364
Total Designated	\$ 19,407,966	\$ 2,393,696	\$ 71,630	\$ 4,865,685	\$ 1,240,893	\$ 333,695	\$ 28,313,565

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

E. Other Postemployment Benefits (OPEB)

Plan Description

Pursuant to Minn. Stat. § 471.61, subd. 2a, the County provides postemployment health care and dental benefits for eligible retired employees, spouses, and dependents through a single-employer defined benefit plan.

Qualified retirees are eligible to receive a postemployment benefit that reduces the monthly premium of the health care insurance coverage provided under Minn. Stat. § 471.61, subd. 2b, by \$10 per month for each year of consecutive County service up to a maximum of 20 years of consecutive County service for a period of 24 months immediately upon retirement. In order to qualify for this benefit, retirees must meet the following criteria:

- (1) 12 or more consecutive years of County service and
- (2) Meets Public Employees Retirement Association of Minnesota (PERA) requirements for retirement benefits.

Retirees that receive health care benefits from subsequent employment are no longer eligible for this benefit. Also, retirees must take any available Medicare benefits. The benefit terminates upon the death of the retiree.

In addition, the County provides benefits for other retirees and spouses of retirees as required by Minn. Stat. § 471.61, subd. 2b. These benefits include access to the same health care and dental insurance coverage provided by the County to active employees.

The benefits are administered by the County Board of Commissioners and can be amended through its personnel manual and labor contracts. A separate benefits plan report is not issued. The activity of the plan is reported in the government-wide financial statements.

Participants

Participants of the plan consisted of the following at January 1, 2009, the date of the first actuarial valuation:

Active employees	821
Retired employees	37
Spouses of retirees	3
	<hr/>
Total Plan Participants	861
	<hr/>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the Stearns County Board of Commissioners. The County finances the plan on a “pay-as-you-go” basis. During 2009, the County expended \$300,067 for these benefits.

For those qualified retirees that meet the criteria for a full medical insurance benefit, the County contributes 100 percent of the benefit cost. All other retirees and their spouses contribute 100 percent of the premium cost for medical and dental insurance. Since the premium is a blended rate determined on the entire active and retiree population, the retirees receive an implicit rate subsidy.

Annual OPEB Cost and Net OPEB Obligation

The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County’s OPEB cost for 2009, the amount actuarially contributed to the plan, and changes in the County’s net OPEB obligation.

ARC	\$	1,051,107
Interest on net OPEB obligation		27,538
Adjustment to ARC		(36,751)

Annual OPEB cost	\$	1,041,894
Contributions during the year		(300,067)

Increase in net OPEB obligation	\$	741,827
Net OPEB Obligation - Beginning of Year		611,958

Net OPEB Obligation - End of Year	\$	1,353,785

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 883,516	\$ 271,558	30.74%	\$ 611,958
December 31, 2009	1,041,894	300,067	28.80	1,353,785

Funded Status and Funding Progress

The County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of plan assets is zero.

Actuarial accrued liability (AAL)	\$ 7,975,763
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 7,975,763</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 46,357,707
UAAL as a percentage of covered payroll	17.2%

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

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

In the January 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return and an annual health care cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after eight years. The actuarial value of plan assets was set equal to the market value of assets. The UAAL is being amortized over 30 years on a closed group basis. The remaining amortization period at December 31, 2009, was 28 years.

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. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County 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 from the previous year or settlements in excess of insurance for any of the past three years.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

The Property and Casualty Division of MCIT is self-sustaining and the County pays an annual premium to cover current and future losses. The MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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 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:

	2009	2008
Unpaid claims - January 1	\$ 950,882	\$ 872,227
Current year claims	6,829,172	5,783,744
Claim payments	(6,668,618)	(5,705,089)
Unpaid Claims - December 31	\$ 1,111,436	\$ 950,882

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

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

Stearns-Benton Employment and Training Council

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, 2009, the Workforce Development Council was composed of 27 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 contributed \$112,964 for its share of the Council's operating costs in 2009.

Complete financial statements of the Stearns-Benton Employment and Training Council can be obtained by writing to the administrative offices at the Minnesota Workforce Center at 1540 Northway Drive, St. Cloud, Minnesota 56303.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Northstar Corridor Development Authority

In May 1997, Stearns County entered into a joint powers agreement with 30 counties, regional rail authorities, cities, and townships to create the Northstar Corridor Development Authority (NCDA) to develop the Northstar commuter rail project from St. Cloud, Minnesota to Minneapolis, Minnesota. State and federal grant monies, member county contributions, and the regional railroad authorities' agreement to allocate the initial contributions of capital has provided funding for the NCDA.

The NCDA Joint Powers Board, which consists of one elected official from each of the member governmental units, has the authority to make all administrative decisions regarding the Northstar commuter rail. The NCDA does not have the authority to levy taxes or issue bonds, but it can enter into contracts, and acquire, hold and dispose of real and personal property. Upon termination of the joint powers agreement, the NCDA has the authority to dispose of any property. The joint powers agreement does not authorize the NCDA to operate or finance the operations of the Northstar commuter rail.

Members pay annual dues to the NCDA. In 2009, Stearns County paid dues of \$176,749 to the NCDA; this amount is recorded as an expenditure in the Regional Rail Authority Special Revenue Fund.

Anoka County, in an agency capacity, reports the cash transactions of the NCDA as part of the County's agency fund on its financial statements. Complete financial statements for the NCDA can be obtained by writing to its administrative offices at 2100 Third Avenue, Anoka, Minnesota 55303.

Central Minnesota Emergency Medical Services Region

The Central Minnesota Emergency Medical Services Region (CMEMSR) was established in 2001 pursuant to Minn. Stat. § 471.59, and is currently operating under a memorandum of understanding between the counties of Benton, Cass, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Central Minnesota Emergency Medical Services Region (Continued)

The purpose of the CMEMSR is to improve the planning, coordination, and implementation of emergency medical services within the member counties.

The CMEMSR has established a board which has general supervision over its activities. The Board consists of 14 County Commissioners, one from each of the member counties. Stearns County is the fiscal agent for the CMEMSR and reports the CMEMSR's activities in an agency fund in its financial statements.

Complete financial information can be obtained from Scott Miller, Regional EMS Coordinator, Central Minnesota Emergency Medical Services Region, Stearns County Administration Center, 705 Courthouse Square, St. Cloud, Minnesota 56303.

Central Minnesota Regional Radio Board

The Central Minnesota Regional Radio Board was established by a joint powers agreement among the City of St. Cloud and the counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright. The Joint Powers Board is comprised of one city council member from the City of St. Cloud, and one County Commissioner from each member county. The parties entered into the joint powers agreement pursuant to Minn. Stat. §§ 403.39 and 471.59, for the purpose of preparing and administering a plan which provides for the installation, operation, and maintenance of local and regional enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

The City of St. Cloud is the fiscal agent for the Central Minnesota Regional Radio Board. Financial information for the Radio Board can be obtained from St. Cloud City Hall, Finance Department, 400 Second Street South, St. Cloud, Minnesota 56301.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

D. Jointly-Governed Organization

Tri-County Solid Waste Management Commission

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.

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.

E. Subsequent Event

On January 19, 2010, the County Board approved the issuance of \$8,935,000 General Obligation Capital Improvement Bonds, Series 2010A. Also on January 19, 2010, the County Board approved the issuance of \$1,665,000 Taxable General Obligation Capital Improvement Bonds (Recovery Zone Economic Development bonds), Series 2010B. Finally, on January 19, 2010, the County Board approved the issuance of \$1,935,000 General Obligation Capital Improvement Refunding Bonds, Series 2010C.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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 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

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

5. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

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

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

Funding Policy

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

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

5. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 2,694,612	\$ 2,423,540	\$ 2,036,534
Public Employees Police and Fire Fund	580,161	515,267	417,238
Public Employees Correctional Fund	378,768	350,768	315,506

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

B. Defined Contribution Plan

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

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

5. Pension Plans

B. Defined Contribution Plan (Continued)

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

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 10,967	\$ 10,967
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

6. 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, 2009.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. 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 Minnesota Association of Governments Investing for Counties (MAGIC) money market is an external investment pool. The reported value of the pool is equal to the value of the pool shares. It is the policy of the HRA to invest funds in HUD-approved securities; there are no further restrictions than those set forth by HUD.

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**

6. 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 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 \$53,613 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**

6. 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 Washburn Heights, DEED Paynesville, and DEED Melrose/Brooten had fund balance deficits of \$311,430, \$7,739, and \$687 respectively, as of June 30, 2009. The Bell Enterprise Fund had a net asset deficit of \$57,517 as of June 30, 2009.

The HRA plans to eliminate the deficits in the governmental activity funds with future operating grants, and if insufficient, then transfers from other funds. The deficit in The Bell is planned to be eliminated through future operating profits.

C. Detailed Notes on All Funds

Deposits and Investments

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.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Deposits and Investments (Continued)

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.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government body.

At year-end, the HRA's carrying amount of deposits was \$630,352, and the bank balance was \$674,539. Of the bank balance, \$547,026 was covered by federal depository insurance, and \$127,513 was covered by pledged collateral held in the HRA's name.

Investments are carried at fair value. As of June 30, 2009, the fair value of the HRA's investment in the MAGIC Money Market Fund, an externally pooled investment, was \$379,314. 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:

Deposits	\$ 630,352
Investments - money market fund	379,314
Investments - brokered certificates of deposit	<u>201,790</u>
Total Cash and Pooled Investments	<u>\$ 1,211,456</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Deposits and Investments (Continued)

Concentration of Credit Risk/Interest Rate Risk

In accordance with the HRA's investment policy, the HRA diversifies its investment portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The maturities selected shall provide for stability of income and reasonable liquidity.

Custodial Credit Risk - Investments

In accordance with the HRA's investment policy, the investment officer shall structure all investments, deposits, and repurchase agreements so that the custodial risk is categorized as either insured or registered, or securities held by the HRA or its agent in the HRA's name, or uninsured and unregistered, with securities held by the counterparty's trust department or agent in the HRA's name. All investments are placed in safekeeping at financial institutions.

Loans Receivable

The following is a summary of loans receivable at June 30, 2009:

Down payment assistance loans	\$ 25,243
Revolving loan	2,154
DEED lead hazard control	105,073
DEED Melrose	387,454
DEED Countywide	306,854
DEED Sauk Centre	1,012,500
DEED Paynesville	625,793
DEED Melrose/Brooten	289,550
Minnesota Department of Health	50,000
Less: allowance for forgivable loans	<u>(2,777,224)</u>
Total Loans Receivable	<u>\$ 27,397</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Loans Receivable (Continued)

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:

	Federal
DEED Paynesville	\$ 57,771
DEED Melrose/Brooten	144,152
Minnesota Department of Health	15,024
Total	\$ 216,947

Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
Capital assets not depreciated				
Land	\$ 54,379	\$ -	\$ 30,000	\$ 24,379
Construction in progress	590,948	1,192	592,140	-
Total capital assets not depreciated	\$ 645,327	\$ 1,192	\$ 622,140	\$ 24,379
Capital assets depreciated				
Buildings	\$ 491,599	\$ -	\$ -	\$ 491,599
Machinery and equipment	57,807	5,933	13,260	50,480
Total capital assets depreciated	\$ 549,406	\$ 5,933	\$ 13,260	\$ 542,079

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 36,870	\$ 12,291	\$ -	\$ 49,161
Machinery and equipment	51,874	3,493	13,260	42,107
Total accumulated depreciation	<u>\$ 88,744</u>	<u>\$ 15,784</u>	<u>\$ 13,260</u>	<u>\$ 91,268</u>
Total capital assets depreciated, net	<u>\$ 460,662</u>	<u>\$ (9,851)</u>	<u>\$ -</u>	<u>\$ 450,811</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 1,105,989</u>	<u>\$ (8,659)</u>	<u>\$ 622,140</u>	<u>\$ 475,190</u>
Business-Type Activities				
Capital assets not depreciated				
Land	<u>\$ 304,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,515</u>
Capital assets depreciated				
Land improvements	\$ 127,155	\$ -	\$ -	\$ 127,155
Buildings	3,569,119	124,425	-	3,693,544
Furniture, equipment, and machinery	<u>192,201</u>	<u>9,280</u>	<u>2,716</u>	<u>198,765</u>
Total capital assets depreciated	<u>\$ 3,888,475</u>	<u>\$ 133,705</u>	<u>\$ 2,716</u>	<u>\$ 4,019,464</u>
Less: accumulated depreciation for				
Land improvements	\$ 51,666	\$ 4,408	\$ -	\$ 56,074
Buildings	773,069	91,041	-	864,110
Furniture, equipment, and machinery	<u>93,844</u>	<u>10,630</u>	<u>2,716</u>	<u>101,758</u>
Total accumulated depreciation	<u>\$ 918,579</u>	<u>\$ 106,079</u>	<u>\$ 2,716</u>	<u>\$ 1,021,942</u>
Total capital assets depreciated, net	<u>\$ 2,969,896</u>	<u>\$ 27,626</u>	<u>\$ -</u>	<u>\$ 2,997,522</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 3,274,411</u>	<u>\$ 27,626</u>	<u>\$ -</u>	<u>\$ 3,302,037</u>

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

Governmental Activities	
General government	
Housing and economic development	<u>\$ 15,784</u>
Business-Type Activities	
Public Housing	\$ 47,908
Heading for Home	39,838
Section 8 Housing	2,022
The Bell	<u>16,311</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 106,079</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. 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.

	Authorized and Issued	Interest Rate (%)	Issue Date	Maturity Date	Balance at Year-End
Housing Development Crossover Refunding Bonds, Series 2006	\$ 990,000	4.00 - 4.25	12/19/2006	02/01/2031	<u>\$ 965,000</u>

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	4.38	04/28/2005	05/15/2020	316,322
Bell MHFA note	91,369	-	02/10/2009	02/10/2014	<u>91,369</u>
Total Loans					<u>\$ 963,191</u>

3. Debt Service Requirements

Debt service requirements for business-type activities at June 30, 2009, were as follows:

Year Ending June 30	MHFA Loans		Housing Development Bonds	
	Principal	Interest	Principal	Interest
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	26,353	10,157	30,000	36,088
2014	118,900	8,979	35,000	34,888
2015 - 2019	157,235	25,326	185,000	153,237
2020 - 2024	32,744	724	225,000	113,102
2025 - 2029	-	-	275,000	62,394
2030 - 2032	555,500	-	125,000	8,075
Total	<u>\$ 963,191</u>	<u>\$ 82,257</u>	<u>\$ 965,000</u>	<u>\$ 523,248</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Long-Term Debt (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated absences	\$ 21,952	\$ 21,037	\$ 17,090	\$ 25,899	\$ 25,899
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
Bonds payable					
Housing Development Crossover Refunding Bonds, Series 2006	\$ 990,000	\$ -	\$ 25,000	\$ 965,000	\$ 30,000
Loans					
MHFA	\$ 555,500	\$ -	\$ -	\$ 555,500	\$ -
Bell Apartment	338,539	-	22,217	316,322	23,115
Bell MHFA Note	-	91,369	-	91,369	-
Total loans	\$ 894,039	\$ 91,369	\$ 22,217	\$ 963,191	\$ 23,115
Compensated absences	\$ 26,331	\$ 24,380	\$ 22,997	\$ 27,714	\$ 27,714
Business-Type Activities Long-Term Liabilities	<u>\$ 1,910,370</u>	<u>\$ 115,749</u>	<u>\$ 70,214</u>	<u>\$ 1,955,905</u>	<u>\$ 80,829</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds (Continued)

Tax Increment District

The HRA established a redevelopment tax increment district in 2008 to finance various improvements in accordance with Minn. Stat. ch. 469. Information relating to this district is as follows:

Tax capacity	
Original	\$ 249,006
Current	<u>300,328</u>
Captured - Retained	<u>\$ 51,322</u>
Total general obligation tax increment bonds and notes issued	\$ 375,000
Amounts redeemed	<u>-</u>
Outstanding at June 30, 2009	<u><u>\$ 375,000</u></u>

The HRA's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor. Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance, which would have a material effect on the financial statements.

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 6.75 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 fiscal years ended June 30, 2009, 2008, and 2007, employer contributions totaled \$26,491, \$24,808, and \$20,991, respectively.

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

6. 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 Intergovernmental Trust, formerly 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 (IBNRs). The HRA's management is not aware of any incurred but not reported 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 chapter 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**

6. 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. 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				
	2006	2007	2008	2009 ARRA	2009
Funds approved	\$ 36,847	\$ 35,803	\$ 37,778	\$ 47,832	\$ -
Funds expended	36,847	7,326	799	-	-
Excess of Funds Approved	\$ -	\$ 28,477	\$ 36,979	\$ 47,832	\$ -
Funds advanced	\$ 36,847	\$ 7,326	\$ 799	\$ -	\$ -
Revenue	\$ 36,847	\$ 7,326	\$ 799	\$ -	\$ -

G. Prior Period Adjustment

The governmental activities on the government-wide financial statements were adjusted \$52,229 to account for the disposal of an asset that had been sold in the prior year.

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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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 26,976,932	\$ 26,976,932	\$ 27,221,000	\$ 244,068
Licenses and permits	551,450	551,450	483,655	(67,795)
Intergovernmental	11,779,800	9,977,868	11,713,038	1,735,170
Charges for services	4,335,150	4,295,150	4,263,643	(31,507)
Fines and forfeits	-	50,222	122,705	72,483
Gifts and contributions	-	-	4,030	4,030
Investment income	1,400,000	1,400,000	877,212	(522,788)
Miscellaneous	1,710,000	1,714,000	1,183,727	(530,273)
Total Revenues	\$ 46,753,332	\$ 44,965,622	\$ 45,869,010	\$ 903,388
Expenditures				
Current				
General government				
Commissioners	\$ 490,711	\$ 496,917	\$ 593,227	\$ (96,310)
Courts	225,000	225,000	186,880	38,120
County administration	808,707	825,354	780,382	44,972
Auditor-Treasurer	4,689,550	4,514,535	4,392,987	121,548
Assessor	1,491,374	1,510,119	1,506,870	3,249
Purchasing	339,767	272,233	293,746	(21,513)
Information services	2,068,923	-	-	-
Graphical information systems	275,151	247,716	96,835	150,881
Human resources	795,534	770,806	782,615	(11,809)
Attorney	5,157,278	5,158,397	5,220,651	(62,254)
Recorder	1,403,015	1,314,947	1,062,304	252,643
Maintenance	2,371,461	2,376,816	2,058,489	318,327
Veterans service officer	262,746	259,844	253,520	6,324
Sexual assault victims	32,000	32,000	30,074	1,926
Other general government	-	-	67,085	(67,085)
Total general government	\$ 20,411,217	\$ 18,004,684	\$ 17,325,665	\$ 679,019
Public safety				
Sheriff	\$ 10,321,490	\$ 9,191,050	\$ 9,061,572	\$ 129,478
Boat and water safety	84,539	84,539	54,409	30,130
Coroner	254,762	254,762	274,307	(19,545)
E-911 system	250,000	250,000	422,409	(172,409)
County jail	10,341,553	10,089,067	9,731,149	357,918
Civil defense	286,058	206,960	195,522	11,438
Total public safety	\$ 21,538,402	\$ 20,076,378	\$ 19,739,368	\$ 337,010

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 1
(Continued)

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Culture and recreation				
Historical society	\$ 565,000	\$ 565,000	\$ 565,000	\$ -
Memorial Day appropriations	550	550	-	550
County library	2,129,800	2,129,800	2,129,800	-
Total culture and recreation	\$ 2,695,350	\$ 2,695,350	\$ 2,694,800	\$ 550
Conservation of natural resources				
County extension	\$ 416,069	\$ 412,173	\$ 377,756	\$ 34,417
Soil and water conservation	877,723	877,723	877,723	-
Agricultural society	20,000	20,000	20,000	-
Environmental services	3,316,912	3,294,303	3,058,205	236,098
Total conservation of natural resources	\$ 4,630,704	\$ 4,604,199	\$ 4,333,684	\$ 270,515
Economic development				
Community development	\$ 116,000	\$ 116,000	\$ 142,379	\$ (26,379)
Total Expenditures	\$ 49,391,673	\$ 45,496,611	\$ 44,235,896	\$ 1,260,715
Excess of Revenues Over (Under)				
Expenditures	\$ (2,638,341)	\$ (530,989)	\$ 1,633,114	\$ 2,164,103
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 2,052,540	\$ 2,052,540	\$ -
Transfers out	-	(1,553,921)	(1,553,921)	-
Proceeds from sale of capital assets	22,000	22,000	58,337	36,337
Total Other Financing Sources (Uses)	\$ 22,000	\$ 520,619	\$ 556,956	\$ 36,337
Net Change in Fund Balance	\$ (2,616,341)	\$ (10,370)	\$ 2,190,070	\$ 2,200,440
Fund Balance - January 1	19,709,362	19,709,362	19,709,362	-
Fund Balance - December 31	\$ 17,093,021	\$ 19,698,992	\$ 21,899,432	\$ 2,200,440

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 2

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,317,543	\$ 7,317,543	\$ 7,251,545	\$ (65,998)
Licenses and permits	25,000	25,000	33,020	8,020
Intergovernmental	28,171,352	11,171,352	8,433,387	(2,737,965)
Charges for services	12,750	12,750	2,223	(10,527)
Miscellaneous	32,500	32,500	33,022	522
Total Revenues	\$ 35,559,145	\$ 18,559,145	\$ 15,753,197	\$ (2,805,948)
Expenditures				
Current				
Highways and streets				
Administration	\$ 746,564	\$ 777,192	\$ 759,758	\$ 17,434
Maintenance	4,894,273	4,818,359	4,805,530	12,829
Construction	27,642,135	8,875,703	7,966,113	909,590
Equipment maintenance and shop	2,190,404	1,795,650	1,577,229	218,421
Total highways and streets	\$ 35,473,376	\$ 16,266,904	\$ 15,108,630	\$ 1,158,274
Conservation of natural resources				
Agricultural inspector	85,769	85,769	82,255	3,514
Intergovernmental				
Highways and streets	-	-	559,128	(559,128)
Total Expenditures	\$ 35,559,145	\$ 16,352,673	\$ 15,750,013	\$ 602,660
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ 2,206,472	\$ 3,184	\$ (2,203,288)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 45,724	\$ 45,724	\$ -
Transfers out	-	(402,590)	(402,590)	-
Total Other Financing Sources (Uses)	\$ -	\$ (356,866)	\$ (356,866)	\$ -
Net Change in Fund Balance	\$ -	\$ 1,849,606	\$ (353,682)	\$ (2,203,288)
Fund Balance - January 1	3,607,578	3,607,578	3,607,578	-
Increase (decrease) in reserved for inventories	-	-	(28,953)	(28,953)
Fund Balance - December 31	\$ 3,607,578	\$ 5,457,184	\$ 3,224,943	\$ (2,232,241)

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 3

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 21,425,370	\$ 21,425,370	\$ 21,256,249	\$ (169,121)
Intergovernmental	21,672,393	19,784,412	18,940,362	(844,050)
Charges for services	1,316,564	1,390,095	1,522,117	132,022
Miscellaneous	1,129,750	1,189,625	1,239,504	49,879
Total Revenues	<u>\$ 45,544,077</u>	<u>\$ 43,789,502</u>	<u>\$ 42,958,232</u>	<u>\$ (831,270)</u>
Expenditures				
Current				
Public safety				
Community corrections	<u>\$ 6,960,457</u>	<u>\$ 6,745,872</u>	<u>\$ 6,831,168</u>	<u>\$ (85,296)</u>
Human services				
Administrative services	\$ 3,495,651	\$ 3,362,181	\$ 3,303,882	\$ 58,299
Gateway services	9,982,937	7,579,581	7,631,800	(52,219)
Community support	8,238,989	8,186,101	7,771,713	414,388
Family and children services	7,509,417	7,256,683	6,646,150	610,533
Finance and technology	5,558,916	5,533,782	5,435,607	98,175
Total human services	<u>\$ 34,785,910</u>	<u>\$ 31,918,328</u>	<u>\$ 30,789,152</u>	<u>\$ 1,129,176</u>
Health				
Nursing service	<u>\$ 2,395,901</u>	<u>\$ 2,351,976</u>	<u>\$ 2,140,211</u>	<u>\$ 211,765</u>
Total Expenditures	<u>\$ 44,142,268</u>	<u>\$ 41,016,176</u>	<u>\$ 39,760,531</u>	<u>\$ 1,255,645</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ 1,401,809</u>	<u>\$ 2,773,326</u>	<u>\$ 3,197,701</u>	<u>\$ 424,375</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 753,799	\$ 753,799	\$ -
Transfers out	-	(2,315,272)	(2,315,272)	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (1,561,473)</u>	<u>\$ (1,561,473)</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 1,401,809</u>	<u>\$ 1,211,853</u>	<u>\$ 1,636,228</u>	<u>\$ 424,375</u>
Fund Balance - January 1	<u>13,986,016</u>	<u>13,986,016</u>	<u>13,986,016</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 15,387,825</u>	<u>\$ 15,197,869</u>	<u>\$ 15,622,244</u>	<u>\$ 424,375</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 4

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2007	\$ -	\$ 6,649,905	\$ 6,649,905	0.0%	\$ 35,087,133	18.95%
January 1, 2008	-	7,975,763	7,975,763	0.0	46,357,707	17.20

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

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.

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, 2009.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
Economic development	\$ 142,379	\$ 116,000	\$ 26,379

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

2. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund			
Intergovernmental			
Highways and streets	559,128	-	559,128
Human Services Special Revenue Fund			
Current			
Public safety	6,831,168	6,745,872	85,296
Debt Service Fund			
Current			
General government	17,402	-	17,402
Debt Service			
Principal	5,885,000	5,851,186	33,814

3. Other Postemployment Benefits Funded Status

Stearns County implemented the requirements of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. Currently, two years' worth of data are available. Future reports will provide additional trend analysis to meet the three-year funding status requirements as the information becomes available.

SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 5

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,295,235	\$ 4,295,235	\$ 4,264,082	\$ (31,153)
Special assessments	-	-	112,053	112,053
Intergovernmental	2,056,086	804,114	807,428	3,314
Total Revenues	\$ 6,351,321	\$ 5,099,349	\$ 5,183,563	\$ 84,214
Expenditures				
Current				
General government				
Other	-	-	17,402	(17,402)
Debt service				
Principal	5,851,186	5,851,186	5,885,000	(33,814)
Interest	1,000,135	1,000,135	903,962	96,173
Total Expenditures	\$ 6,851,321	\$ 6,851,321	\$ 6,806,364	\$ 44,957
Net Change in Fund Balance	\$ (500,000)	\$ (1,751,972)	\$ (1,622,801)	\$ 129,171
Fund Balance - January 1	6,488,486	6,488,486	6,488,486	-
Fund Balance - December 31	\$ 5,988,486	\$ 4,736,514	\$ 4,865,685	\$ 129,171

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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.

Regional Rail Authority - to account for the revenues and expenditures related to the preservation of rail right-of-ways for alternative modes of transportation. The Regional Rail Authority is governed by a five-member board and has independent taxing authority.

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, 2009**

	<u>County Building</u>	<u>County Park</u>	<u>Law Library</u>
<u>Assets</u>			
Cash and pooled investments	\$ 172,622	\$ 460,434	\$ 69,108
Petty cash and change funds	-	220	-
Taxes receivable delinquent	5,422	30,757	-
Special assessments receivable			
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	-	-	-
Loans receivable	-	-	-
Due from other governments	-	-	-
Advance to other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 178,044</u>	<u>\$ 491,411</u>	<u>\$ 69,108</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ -	\$ 93,598	\$ 6,223
Salaries payable	-	12,101	1,516
Due to other governments	-	4,581	-
Deferred revenue - unavailable	4,299	23,529	-
Deferred revenue - unearned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 4,299</u>	<u>\$ 133,809</u>	<u>\$ 7,739</u>
Fund Balances			
Reserved for economic development	\$ -	\$ -	\$ -
Reserved for gravel pit closure	-	-	-
Reserved for landfill closure	-	-	-
Unreserved			
Designated for subsequent years' expenditures	-	71,000	-
Designated for K9 unit	-	-	-
Designated for Sheriff's equipment	-	-	-
Designated for trails	-	46,626	-
Designated for wellness activities	-	-	-
Undesignated	173,745	239,976	61,369
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>\$ 173,745</u>	<u>\$ 357,602</u>	<u>\$ 61,369</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 178,044</u>	<u>\$ 491,411</u>	<u>\$ 69,108</u>

Statement 1

Special Revenue Funds					
Solid Waste	Economic Development	Ditch	Miscellaneous	Regional Rail Authority	Total
\$ 3,754,591	\$ 574,693	\$ 155,364	\$ 489,128	\$ 99,110	\$ 5,775,050
-	-	-	300	-	520
-	-	-	-	7,576	43,755
68,520	-	-	-	-	68,520
94,049	-	9,311	-	-	103,360
3,290	-	-	-	-	3,290
-	206,382	-	-	-	206,382
2,896	-	-	-	-	2,896
30,500	283,570	-	-	-	314,070
\$ 3,953,846	\$ 1,064,645	\$ 164,675	\$ 489,428	\$ 106,686	\$ 6,517,843
\$ 2,825	\$ -	\$ -	\$ 11,610	\$ -	\$ 114,256
5,814	-	-	-	-	19,431
-	-	-	92	-	4,673
162,569	-	9,311	-	2,095	201,803
-	206,382	-	-	-	206,382
\$ 171,208	\$ 206,382	\$ 9,311	\$ 11,702	\$ 2,095	\$ 546,545
\$ -	\$ 858,263	\$ -	\$ -	\$ -	\$ 858,263
-	-	-	202,666	-	202,666
-	-	-	57,339	-	57,339
-	-	-	-	-	71,000
-	-	-	16,277	-	16,277
-	-	-	8,291	-	8,291
-	-	-	161,137	-	207,763
-	-	-	30,364	-	30,364
3,782,638	-	155,364	1,652	104,591	4,519,335
\$ 3,782,638	\$ 858,263	\$ 155,364	\$ 477,726	\$ 104,591	\$ 5,971,298
\$ 3,953,846	\$ 1,064,645	\$ 164,675	\$ 489,428	\$ 106,686	\$ 6,517,843

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

	<u>County Building</u>	<u>County Park</u>	<u>Law Library</u>
Revenues			
Taxes	\$ 130,236	\$ 840,775	\$ -
Special assessments	-	-	-
Licenses and permits	-	66,160	-
Intergovernmental	9,627	426,266	-
Charges for services	-	-	-
Fines and forfeits	-	-	150,471
Gifts and contributions	-	3,035	-
Investment income	-	383	-
Miscellaneous	-	19,652	-
Total Revenues	\$ 139,863	\$ 1,356,271	\$ 150,471
Expenditures			
Current			
General government	\$ 97,913	\$ -	\$ 210,788
Public safety	17,309	-	-
Sanitation	-	-	-
Culture and recreation	-	943,834	-
Conservation of natural resources	-	-	-
Economic development	-	-	-
Intergovernmental			
Culture and recreation	-	365,000	-
Total Expenditures	\$ 115,222	\$ 1,308,834	\$ 210,788
Excess of Revenues Over (Under) Expenditures	\$ 24,641	\$ 47,437	\$ (60,317)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 29,398	\$ -
Transfers out	(40,000)	(79,678)	-
Total Other Financing Sources (Uses)	\$ (40,000)	\$ (50,280)	\$ -
Net Change in Fund Balance	\$ (15,359)	\$ (2,843)	\$ (60,317)
Fund Balance - January 1	189,104	360,445	121,686
Fund Balance - December 31	\$ 173,745	\$ 357,602	\$ 61,369

Special Revenue Funds					
Solid Waste	Economic Development	Ditch	Miscellaneous	Regional Rail Authority	Total
\$ -	\$ -	\$ -	\$ 37,781	\$ 250,067	\$ 1,258,859
653,897	-	5,248	-	-	659,145
-	-	-	-	-	66,160
-	-	-	-	17,760	453,653
471,295	-	-	-	-	471,295
-	-	-	-	-	150,471
-	-	-	1,910	-	4,945
34,674	7,030	-	-	-	42,087
33,839	32,861	-	41,499	-	127,851
\$ 1,193,705	\$ 39,891	\$ 5,248	\$ 81,190	\$ 267,827	\$ 3,234,466
\$ -	\$ -	\$ -	\$ 11,711	\$ -	\$ 320,412
-	-	-	505	-	17,814
635,596	-	-	-	-	635,596
-	-	-	-	-	943,834
-	-	2,609	-	-	2,609
-	-	-	-	180,212	180,212
-	-	-	31,913	-	396,913
\$ 635,596	\$ -	\$ 2,609	\$ 44,129	\$ 180,212	\$ 2,497,390
\$ 558,109	\$ 39,891	\$ 2,639	\$ 37,061	\$ 87,615	\$ 737,076
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,398
-	-	-	-	-	(119,678)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (90,280)
\$ 558,109	\$ 39,891	\$ 2,639	\$ 37,061	\$ 87,615	\$ 646,796
3,224,529	818,372	152,725	440,665	16,976	5,324,502
\$ 3,782,638	\$ 858,263	\$ 155,364	\$ 477,726	\$ 104,591	\$ 5,971,298

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 6

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 130,476	\$ 130,476	\$ 130,236	\$ (240)
Intergovernmental	9,524	9,524	9,627	103
Total Revenues	\$ 140,000	\$ 140,000	\$ 139,863	\$ (137)
Expenditures				
Current				
General government	\$ 140,000	\$ 100,000	\$ 97,913	\$ 2,087
Public safety	-	-	17,309	(17,309)
Total Expenditures	\$ 140,000	\$ 100,000	\$ 115,222	\$ (15,222)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 40,000	\$ 24,641	\$ (15,359)
Other Financing Sources (Uses)				
Transfers out	-	(40,000)	(40,000)	-
Net Change in Fund Balance	\$ -	\$ -	\$ (15,359)	\$ (15,359)
Fund Balance - January 1	189,104	189,104	189,104	-
Fund Balance - December 31	\$ 189,104	\$ 189,104	\$ 173,745	\$ (15,359)

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 7

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 847,410	\$ 847,410	\$ 840,775	\$ (6,635)
Licenses and permits	60,000	60,000	66,160	6,160
Intergovernmental	60,610	425,610	426,266	656
Gifts and contributions	-	-	3,035	3,035
Investment income	-	-	383	383
Miscellaneous	-	-	19,652	19,652
Total Revenues	<u>\$ 968,020</u>	<u>\$ 1,333,020</u>	<u>\$ 1,356,271</u>	<u>\$ 23,251</u>
Expenditures				
Current				
Culture and recreation	\$ 968,020	\$ 856,740	\$ 943,834	\$ (87,094)
Intergovernmental				
Culture and recreation	-	365,000	365,000	-
Total Expenditures	<u>\$ 968,020</u>	<u>\$ 1,221,740</u>	<u>\$ 1,308,834</u>	<u>\$ (87,094)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ -</u>	<u>\$ 111,280</u>	<u>\$ 47,437</u>	<u>\$ (63,843)</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 29,398	\$ 29,398	\$ -
Transfers out	-	(79,678)	(79,678)	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (50,280)</u>	<u>\$ (50,280)</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 61,000</u>	<u>\$ (2,843)</u>	<u>\$ (63,843)</u>
Fund Balance - January 1	<u>360,445</u>	<u>360,445</u>	<u>360,445</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 360,445</u></u>	<u><u>\$ 421,445</u></u>	<u><u>\$ 357,602</u></u>	<u><u>\$ (63,843)</u></u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 8

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 212,259	\$ 212,259	\$ 150,471	\$ (61,788)
Expenditures				
Current				
General government				
Law library	212,259	212,259	210,788	1,471
Net Change in Fund Balance	\$ -	\$ -	\$ (60,317)	\$ (60,317)
Fund Balance - January 1	121,686	121,686	121,686	-
Fund Balance - December 31	\$ 121,686	\$ 121,686	\$ 61,369	\$ (60,317)

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 9

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 605,210	\$ 605,210	\$ 653,897	\$ 48,687
Charges for services	600,000	600,000	471,295	(128,705)
Investment income	-	-	34,674	34,674
Miscellaneous	10,000	10,000	33,839	23,839
Total Revenues	\$ 1,215,210	\$ 1,215,210	\$ 1,193,705	\$ (21,505)
Expenditures				
Current				
Sanitation				
Solid waste	1,215,210	1,215,210	635,596	579,614
Net Change in Fund Balance	\$ -	\$ -	\$ 558,109	\$ 558,109
Fund Balance - January 1	3,224,529	3,224,529	3,224,529	-
Fund Balance - December 31	\$ 3,224,529	\$ 3,224,529	\$ 3,782,638	\$ 558,109

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 10

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ 25,000	\$ 25,000	\$ 7,030	\$ (17,970)
Miscellaneous	55,000	55,000	32,861	(22,139)
Total Revenues	\$ 80,000	\$ 80,000	\$ 39,891	\$ (40,109)
Expenditures				
Current				
Economic development				
Community development	80,000	80,000	-	80,000
Net Change in Fund Balance	\$ -	\$ -	\$ 39,891	\$ 39,891
Fund Balance - January 1	818,372	818,372	818,372	-
Fund Balance - December 31	\$ 818,372	\$ 818,372	\$ 858,263	\$ 39,891

FIDUCIARY FUNDS

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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, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
 <u>Assets</u>				
Cash and pooled investments	\$ 4,266,345	\$ 368,806,887	\$ 365,444,432	\$ 7,628,800
 <u>Liabilities</u>				
Accounts payable	\$ 535,876	\$ 598,636	\$ 535,876	\$ 598,636
Due to other governments	3,730,469	368,208,251	364,908,556	7,030,164
Total Liabilities	\$ 4,266,345	\$ 368,806,887	\$ 365,444,432	\$ 7,628,800

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OTHER SCHEDULES

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 11

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

	2008		2009		2010	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 132,199,915		\$ 138,314,645		\$ 142,476,820	
Personal property	1,581,885		1,919,681		2,320,199	
Net Tax Capacity	<u>\$ 133,781,800</u>		<u>\$ 140,234,326</u>		<u>\$ 144,797,019</u>	
Taxes Levied for County Purposes						
General	\$ 31,795,478	19.632	\$ 34,167,969	19.540	\$ 35,962,939	21.295
Road and Bridge	7,307,493	5.709	7,707,737	5.720	7,265,795	5.227
Human Services	21,155,156	16.528	22,960,558	17.039	22,795,280	16.398
County Building	202,500	0.158	140,000	0.104	140,000	0.101
County Park	859,783	0.672	908,020	0.674	904,516	0.651
Regional Library	2,043,656	1.597	2,129,800	1.580	2,168,925	1.560
Debt Service	4,581,878	3.220	4,601,321	3.400	4,788,677	3.425
Regional Rail Authority	230,000	0.180	264,134	0.196	380,000	0.273
Total Levy for County Purposes	<u>\$ 68,175,944</u>	<u>47.696</u>	<u>\$ 72,879,539</u>	<u>48.253</u>	<u>\$ 74,406,132</u>	<u>48.930</u>
Less Credits Payable by State	<u>7,116,831</u>		<u>7,836,928</u>		<u>6,359,846</u>	
Net Levy Certified to State	<u>\$ 61,059,113</u>		<u>\$ 65,042,611</u>		<u>\$ 68,046,286</u>	
Less Market Value Credits Payable by State	<u>4,399,024</u>		<u>4,347,020</u>		<u>4,543,320</u>	
Net Levy for County Purposes	<u>\$ 56,660,089</u>		<u>\$ 60,695,591</u>		<u>\$ 63,502,966</u>	
Percentage of Tax Collections for All Purposes	98.01%		97.19%		N/A	

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**BALANCE SHEET - BY DITCH
(ACCRUAL BASIS)
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2009**

	Assets			
	Cash and Pooled Investments	Intrafund Advances	Deferred Special Assessments Receivable	Total
Judicial Ditches				
1 Grove Lake	\$ 196	\$ -	\$ -	\$ 196
3	540	-	-	540
County Ditches				
4	333	-	2,797	3,130
8	38,180	-	-	38,180
9	15,353	-	-	15,353
17	1,872	-	-	1,872
29	8,833	-	-	8,833
32	64,042	4,000	-	68,042
37	4,007	-	-	4,007
50	456	-	-	456
51	21,552	-	6,514	28,066
Total	\$ 155,364	\$ 4,000	\$ 9,311	\$ 168,675
Reconcilement				
Add (Deduct)	-	(4,000)	-	(4,000)
Modified Accrual Per Statement 1	\$ 155,364	\$ -	\$ 9,311	\$ 164,675

Schedule 12

<u>Deferred Revenue</u>	<u>Liabilities</u>		<u>Undesignated Fund Balance</u>	<u>Total Liabilities and Fund Balance</u>
	<u>Intrafund Advances</u>	<u>Total</u>		
\$ -	\$ -	\$ -	\$ 196	\$ 196
-	2,000	2,000	(1,460)	540
-	2,000	2,000	1,130	3,130
-	-	-	38,180	38,180
-	-	-	15,353	15,353
-	-	-	1,872	1,872
-	-	-	8,833	8,833
-	-	-	68,042	68,042
-	-	-	4,007	4,007
-	-	-	456	456
-	-	-	28,066	28,066
\$ -	\$ 4,000	\$ 4,000	\$ 164,675	\$ 168,675
9,311	(4,000)	5,311	(9,311)	(4,000)
<u>\$ 9,311</u>	<u>\$ -</u>	<u>\$ 9,311</u>	<u>\$ 155,364</u>	<u>\$ 164,675</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 13

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

Shared Revenue

State

Highway users tax	\$ 4,865,237
County program aid	6,973,554
Market value credit	4,367,271
PERA rate reimbursement	145,954
Disparity reduction aid	46,873
Police aid	415,759
Enhanced 911	253,256
	253,256

Total shared revenue **\$ 17,067,904**

Reimbursement for Services

Minnesota Department of Human Services	\$ 2,392,021
	2,392,021

Payments

Local

Payments in lieu of taxes	\$ 204,621
Local share of construction	960,933
Other contributions	15,163
	15,163

Total payments **\$ 1,180,717**

Grants

State

Minnesota Department/Board of	
Corrections	\$ 2,623,227
Public Safety	51,604
Transportation	106,483
Health	502,350
Natural Resources	901,846
Human Services	3,299,111
Veterans Affairs	15,600
Water and Soil Resources	330,345
Pollution Control Agency	376,518
Peace Officer Standards and Training Board	26,956
	26,956

Total state **\$ 8,234,040**

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

**Schedule 13
(Continued)**

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

Federal	
Department of	
Agriculture	\$ 1,380,559
Justice	326,543
Transportation	2,614,252
Energy	26,773
Health and Human Services	7,588,195
Homeland Security	108,382
	<hr/>
Total federal	\$ 12,044,704
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Total state and federal grants	\$ 20,278,744
	<hr/>
Total Intergovernmental Revenue	\$ 40,919,386
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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 14

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

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of 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. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Stearns County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grants for SNAP	CFDA #10.561
State Administrative Matching Grants for SNAP - ARRA	CFDA #10.561
Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563

Foster Care Title IV-E Cluster	
Foster Care Title IV-E	CFDA #93.658
Foster Care Title IV-E - ARRA	CFDA #93.658
Social Services Block Grant	CFDA #93.667
Medical Assistance Program	CFDA #93.778

H. The threshold for distinguishing between Types A and B programs was \$437,762.

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-6 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, License Centers 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 statements 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.

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 initial stages of implementing new financial software and its use will dictate to a great degree the establishment of many internal controls within the accounting applications. As soon as the County can decide on how to best use the new software for various internal controls and the like, an accounting policies and procedures manual will be written.

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. However, there already exists a segregation of duties since the Treasurer's Office reviews the payments and cuts the checks and they do not enter the vendors into the A/P financial system.

07-3 **Controls Over Accounting System Journal Entries**

During the 2007 audit, we reviewed the County's journal entry process and the related controls in place and noted several weaknesses. All but one of those weaknesses has since been resolved. During the current audit, we noted there continues to be no evidence that controls over journal entries have been monitored by someone independent of the journal entry process.

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. Controls over journal entries should include monitoring procedures.

We recommend the County strengthen the monitoring controls over journal entries by periodically generating a report 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 by someone independent of the journal entry function 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. However, until the new financial system is implemented, general journal entries now contain information on them as to who created the journal, who approved the journal and who entered the journal. This information will now provide a better audit trail of who did what in the future.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (06-1)

During our 2008 audit, we identified material adjustments that affected the Road and Bridge Special Revenue Fund, the Capital Projects Fund, and the government-wide financial statements. The audit adjustments were reviewed and approved by appropriate County staff and reflected in the financial statements.

Resolution

We noted no material audit adjustments during the current audit.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

08-1 Safekeeping of Investments

At December 31, 2009, Morgan Keegan, Morgan Stanley Smith Barney LLC, and Wells Fargo Advisors held security investments on behalf of Stearns County. Minnesota law in effect at this time permitted only brokers with a “principal executive office” in the State of Minnesota to hold public securities. Morgan Keegan, Morgan Stanley Smith Barney LLC, and Wells Fargo Advisors do not have their principal executive office in the State of Minnesota.

The 2010 Legislature changed this requirement so that as of August 1, 2010, brokers can hold public investments to the extent they have insurance to protect their clients through the Securities Investors Protection Corporation (SIPC) or excess SIPC coverage. We recommend that all County securities be held only by entities that meet the criteria of Minn. Stat. § 118A.06. For brokers such as Morgan Keegan, Morgan Stanley Smith Barney LLC, and Wells Fargo Advisors, the County must verify that they have SIPC coverage and excess SIPC coverage sufficient to protect all County securities in their possession in order to be in compliance with Minn. Stat. § 118A.06 after August 1, 2010.

Client’s Response:

It is very difficult to find brokerage firms with their principal offices located in Minnesota. There would have been added expenses or loss of revenues if we would have complied with the law in prior years. We demanded the brokers we used to have adequate SIPC coverage on our investments to minimize our chances of loss on the investments they held for us. 2010 Legislation changed Minnesota law whereby brokerage firms no longer have to have their principal offices located in Minnesota as long as there is adequate SIPC coverage. Thereby, with all things remaining the same, we should be compliant on this issue in future years.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

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

Fund Balance Reporting

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

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

Governmental Fund Type Definitions

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

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

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REBECCA OTTO
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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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 29, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Housing and Redevelopment Authority (HRA) of Stearns County, the discretely presented component unit, for the year ended June 30, 2009, as described in our report on Stearns County's financial statements. This report does not include the results of the other auditors' 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-6, 02-1, 07-1, 07-2, and 07-3, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing since the County has no tax increment financing districts of its own.

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

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

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

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

September 29, 2010

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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, 2009. 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 \$1,804,631 in federal awards during the year ended June 30, 2009, which are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2009. 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, 2009.

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the 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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon

dated September 29, 2010. We did not audit the financial statements of the HRA of Stearns County discretely presented component unit for the year ended June 30, 2009. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on Stearns County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

September 29, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

Schedule 15

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 511,303
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	844,653
State Administrative Matching Grants for SNAP - ARRA	10.561	<u>24,603</u>
Total U.S. Department of Agriculture		<u>\$ 1,380,559</u>
U.S. Department of Commerce		
Passed Through City of St. Cloud Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 41,597</u>
U.S. Department of Justice		
Direct		
State Criminal Alien Assistance Program	16.606	\$ 47,293
Edward Byrne Memorial Justice Assistance Grant Program	16.738	122,542
Passed Through Minnesota Department of Public Safety		
Juvenile Accountability Block Grants	16.523	15,045
Violence Against Women Formula Grants	16.588	35,013
Enforcing Underage Drinking Laws Program	16.727	939
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>105,711</u>
Total U.S. Department of Justice		<u>\$ 326,543</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 5,091,199
Passed Through Minnesota Department of Public Safety Highway Safety Cluster		
State and Community Highway Safety	20.600	27,706
Safety Belt Performance Grants	20.609	877
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>54,934</u>
Total U.S. Department of Transportation		<u>\$ 5,174,716</u>
U.S. Department of Energy		
Direct		
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	<u>\$ 26,773</u>

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

***Schedule 15
(Continued)***

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	\$ 52,964
Immunization Grants	93.268	26,901
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	164,486
Temporary Assistance for Needy Families	93.558	155,628
Maternal and Child Health Services Block Grant	93.994	133,290
Passed Through Minnesota Department of Human Services		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	5,570
Promoting Safe and Stable Families	93.556	39,797
Temporary Assistance for Needy Families	93.558	1,306,835
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	1,895,272
Child Support Enforcement - ARRA	93.563	249,743
Refugee and Entrant Assistance - State-Administered Programs	93.566	6,061
Child Care Cluster		
Child Care and Development Block Grant	93.575	10,141
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	96,348
Child Welfare Services - State Grants	93.645	5,861
Foster Care - Title IV-E Cluster		
Foster Care - Title IV-E	93.658	479,316
Foster Care - Title IV-E - ARRA	93.658	28,992
Social Services Block Grant	93.667	620,304
Chafee Foster Care Independence Program	93.674	7,599
Children's Health Insurance Program	93.767	460
Medical Assistance Program	93.778	2,238,043
Block Grants for Community Mental Health Services	93.958	9,885
Total U.S. Department of Health and Human Services		\$ 7,533,496
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 22,194
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	56,043
Homeland Security Grant Program	97.067	30,145
Total U.S. Department of Homeland Security		\$ 108,382
Total Federal Awards		\$ 14,592,066

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

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

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Stearns County. The County's reporting entity is defined in Note 1 to the financial statements. Stearns County's financial statements include the operations of the Stearns County Housing and Redevelopment Authority (HRA) component unit, which expended \$1,804,631 in federal awards during the year ended June 30, 2009. Those expenditures are not included in the County's Schedule of Expenditures of Federal Awards because it had a separate single audit.

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

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

4. Subrecipients

Of the expenditures presented in the schedule, Stearns County provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
16.738	Edward Byrne Memorial Justice Assistance Grant Program	\$ 21,000

**STEARNS COUNTY
ST. CLOUD, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 12,044,704
Grants received more than 60 days after year-end, deferred in 2009	
Highway Planning and Construction	2,899,685
Centers for Disease Control and Prevention - Investigations and Technical Assistance	2,658
Child Support Enforcement	76,800
Foster Care - Title IV-E - ARRA	3,913
Deferred in 2008, recognized as revenue in 2009	
Highway Planning and Construction	(339,221)
Medical Assistance Program	(138,070)
Federal grant received in the Internal Service Fund	
Public Safety Interoperable Communications Grant Program	<u>41,597</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 14,592,066</u>

6. American Recovery and Reinvestment Act

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