

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CHISAGO COUNTY
CENTER CITY, MINNESOTA

YEAR ENDED DECEMBER 31, 2008

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Year Ended December 31, 2008



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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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CENTER CITY, MINNESOTA**

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

ORGANIZATION
2008

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	Lynn Schultz ¹	January 2005	January 2009
2nd District	Rick Greene	January 2007	January 2011
3rd District	Robert Gustafson	January 2005	January 2009
4th District	Ben Montzka ²	January 2007	January 2011
5th District	Mike Robinson	January 2005	January 2009
Officers			
Elected			
Attorney	Janet Reiter	January 2007	January 2011
Auditor	Dennis Freed	January 2007	January 2011
Sheriff	Todd Rivard	January 2007	January 2011
Treasurer	Lee Olson	January 2007	January 2011
Appointed			
Administrator	John Moosey		Indefinite
Assessor	John Keefe	January 2005	December 2009
Court Administrator	Kathleen Karnowski		Indefinite
Medical Examiner	Lindsey C. Thomas	January 2007	December 2009
Examiner of Titles	Joseph Anderson		Indefinite
Highway Engineer	Bill Malin	May 2005	May 2009
Probation Officer	Steven Paquay		Indefinite
Recorder/Registrar of Titles	Lee Olson		Indefinite
Surveyor	Terry Johnson		Indefinite
Veterans Service Officer/ Civil Defense	James Halstrom		Indefinite
Health and Human Services Director	Mary Sheehan		Indefinite

¹Chair 2008

²Chair 2009

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Chisago County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Chisago County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority (HRA-EDA), the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chisago County HRA-EDA, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

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

aggregate remaining fund information of Chisago County as of December 31, 2008, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4.C., Chisago County has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2009, on our consideration of Chisago County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the Chisago County HRA-EDA, which was audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

November 30, 2009

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(Unaudited)**

As management of Chisago County, we offer readers of the Chisago County financial statements this narrative overview and analysis of the financial activities of Chisago County for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

The assets of Chisago County exceeded its liabilities by approximately \$103.3 million at the close of 2008. Of this amount, \$14,820,989 (unrestricted net assets) may be used to meet Chisago County's ongoing obligations to citizens and creditors.

Chisago County's total net assets increased by \$7,415,117. This is attributable primarily to road construction and maintenance projects being capitalized, which were funded through a property tax increase, and additional grant revenues received in 2008.

At the close of 2008, Chisago County's governmental funds reported combined ending fund balances of \$25,964,368, a decrease of \$1,494,730 from the previous year-end balance. At the end of the year, Chisago County's unreserved fund balance totaled \$20,530,997, which is available for spending at the County Board's discretion.

At the close of 2008, unreserved fund balance for the General Fund was \$7,795,201, or 35.5 percent, of total General Fund expenditures.

Chisago County's bonds and notes payable decreased by \$1,690,831, or four percent, during 2008. The key factor in the decrease was the staged retirement of various general obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Chisago County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains required supplementary information, which includes the Management's Discussion and Analysis (MD&A) and certain information on other postemployment benefits (OPEB), and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

Fund Level Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary funds. Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Chisago County’s fiduciary funds consist of eight agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the government-wide financial statements because those resources are not available to support the County’s programs.

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

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

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

Government-Wide Financial Analysis

Over time, net assets serve as a useful indicator of the County’s financial position. Chisago County’s assets exceeded liabilities by \$103,300,818 at the close of 2008. The largest portion of Chisago County’s net assets (80 percent) reflects its investment in capital assets (such as land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Governmental Net Assets

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 33,581,153	\$ 37,406,969
Capital assets	<u>123,445,027</u>	<u>115,276,758</u>
Total Assets	<u>\$ 157,026,180</u>	<u>\$ 152,683,727</u>
Long-term liabilities outstanding	\$ 50,221,047	\$ 52,684,419
Other liabilities	<u>3,504,315</u>	<u>4,113,607</u>
Total Liabilities	<u>\$ 53,725,362</u>	<u>\$ 56,798,026</u>

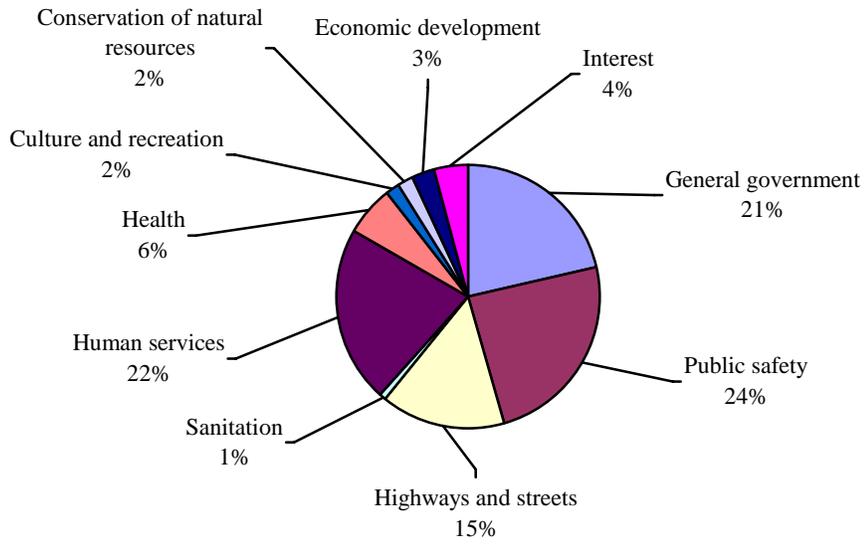
	<u>2008</u>	<u>2007</u>
Invested in capital assets, net of related debt	\$ 83,046,458	\$ 73,197,229
Restricted	5,433,371	4,846,412
Unrestricted	<u>14,820,989</u>	<u>17,842,060</u>
 Total Net Assets	 <u>\$ 103,300,818</u>	 <u>\$ 95,885,701</u>

The unrestricted net asset amount of \$14,820,989 as of December 31, 2008, may be used to meet the County's ongoing obligations to citizens and creditors. Chisago County's activities increased net assets by \$7,415,117, or 7.73 percent, over the 2007 net assets. The key element of the increase was due to an increase in property tax revenue and grants, along with lower expenses due to highway projects being capitalized.

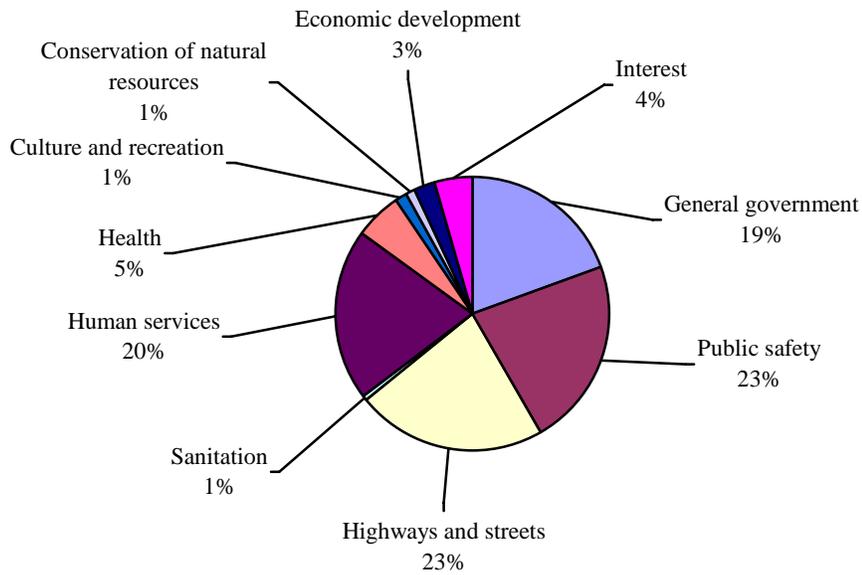
Changes in Net Assets

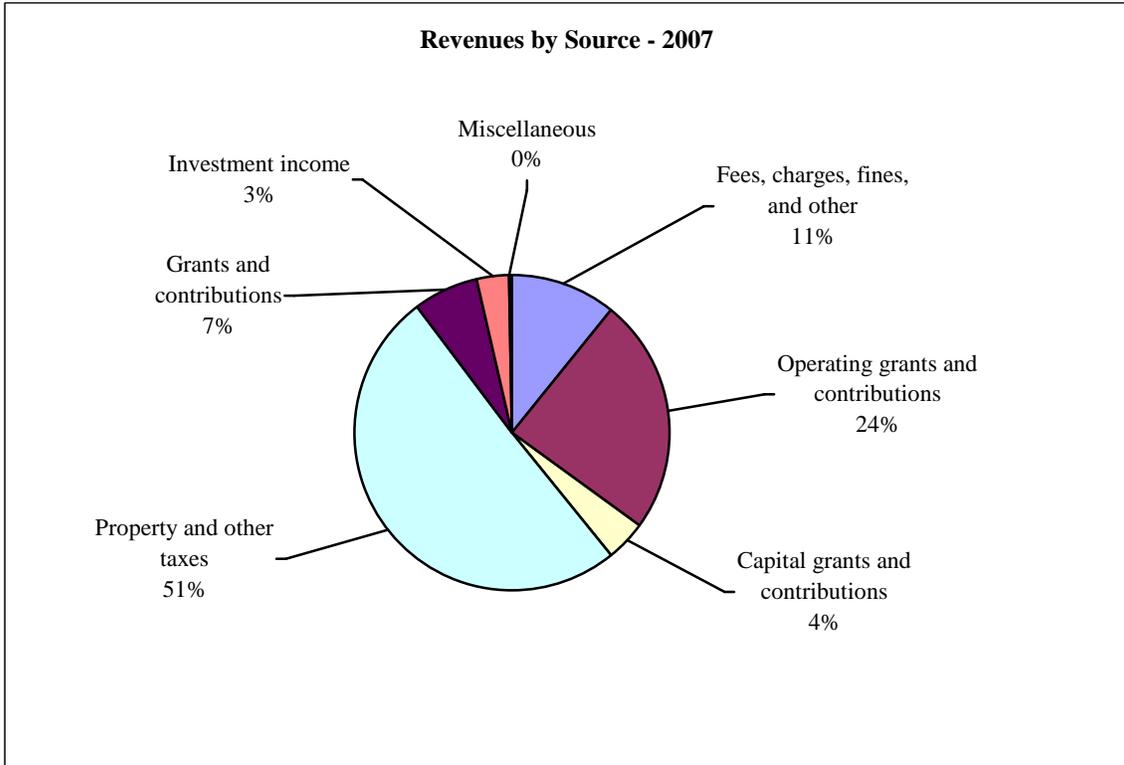
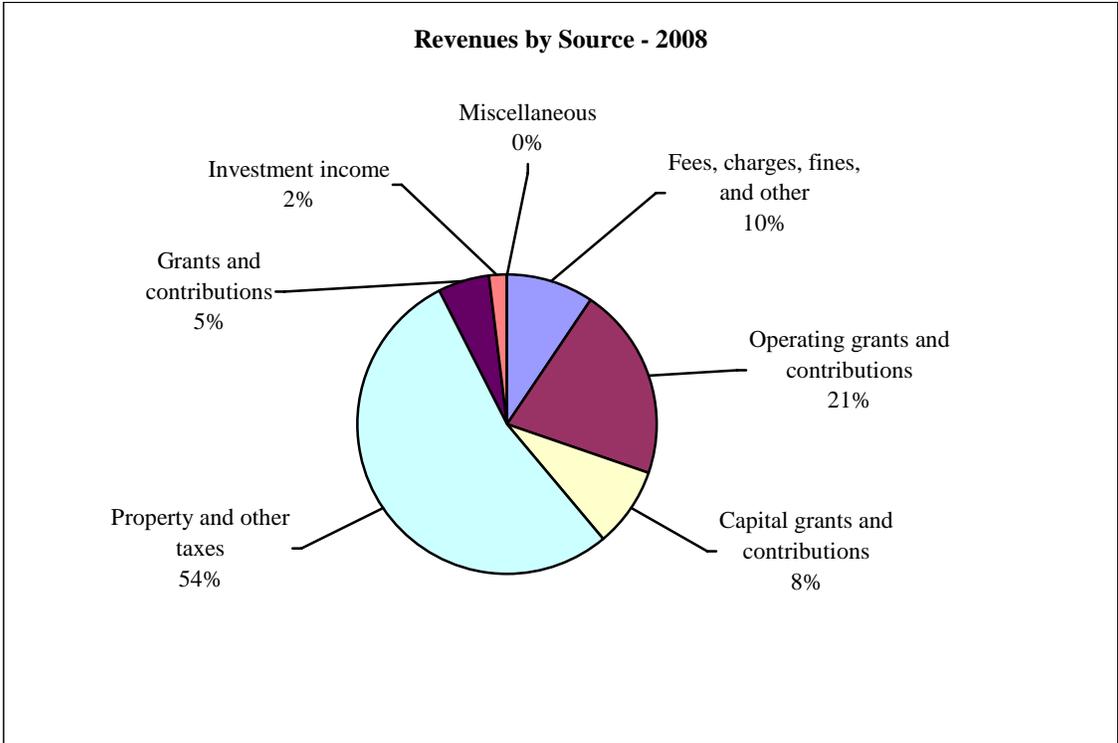
	<u>2008</u>	<u>2007</u>
Revenues		
Program revenues		
Charges for services	\$ 5,274,117	\$ 5,831,042
Operating grants and contributions	11,524,909	12,893,997
Capital grants and contributions	4,693,823	2,156,051
General revenues		
Property taxes	29,028,664	26,367,496
Other	<u>4,819,087</u>	<u>6,122,720</u>
 Total Revenues	 <u>\$ 55,340,600</u>	 <u>\$ 53,371,306</u>
Expenses		
General government	\$ 10,185,364	\$ 9,543,145
Public safety	11,592,485	11,040,267
Highways and streets	7,387,306	11,028,603
Sanitation	447,775	331,909
Human services	10,384,380	9,997,372
Health	2,914,001	2,686,486
Culture and recreation	722,872	611,105
Conservation of natural resources	935,904	602,465
Economic development	1,358,859	1,300,694
Interest	<u>1,996,537</u>	<u>2,132,420</u>
 Total Expenses	 <u>\$ 47,925,483</u>	 <u>\$ 49,274,466</u>
 Increase in Net Assets	 <u>\$ 7,415,117</u>	 <u>\$ 4,096,840</u>
Net Assets, January 1	<u>95,885,701</u>	<u>91,788,861</u>
Net Assets, December 31	<u>\$ 103,300,818</u>	<u>\$ 95,885,701</u>

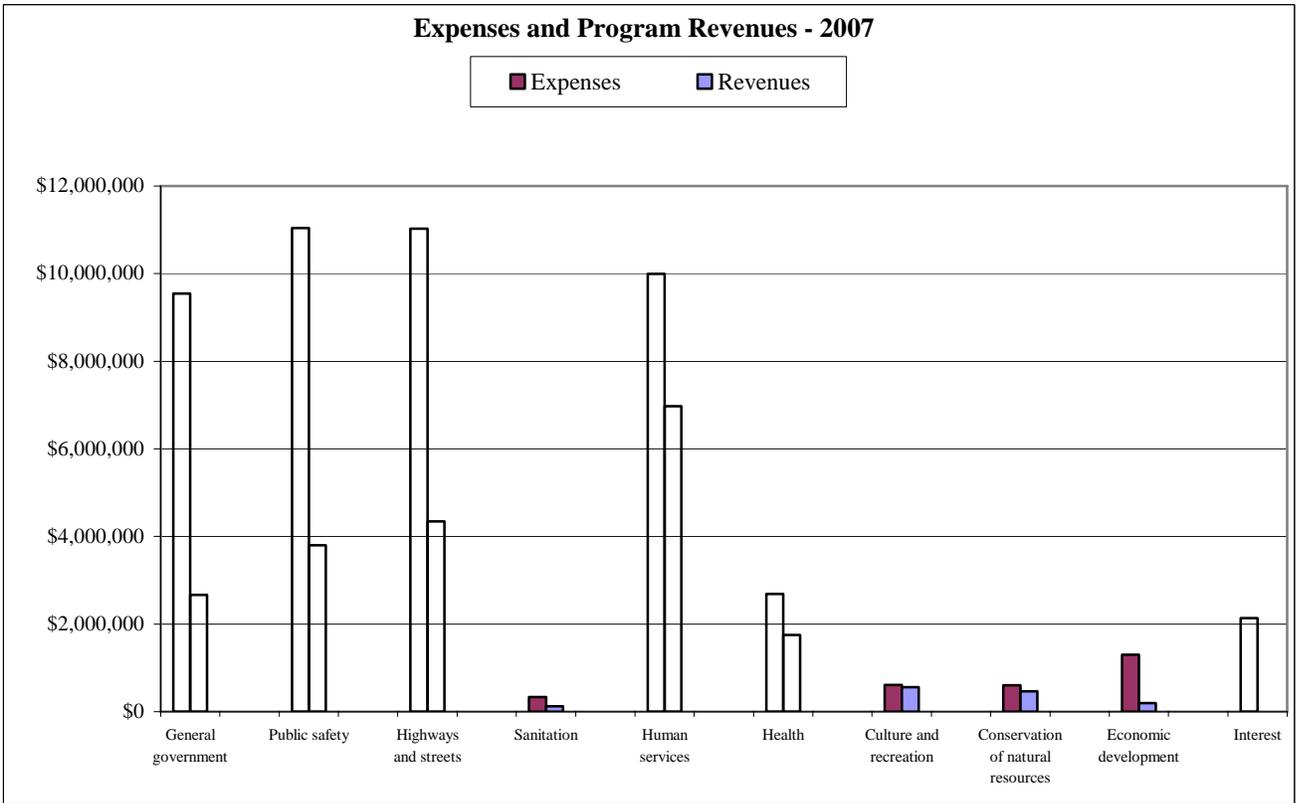
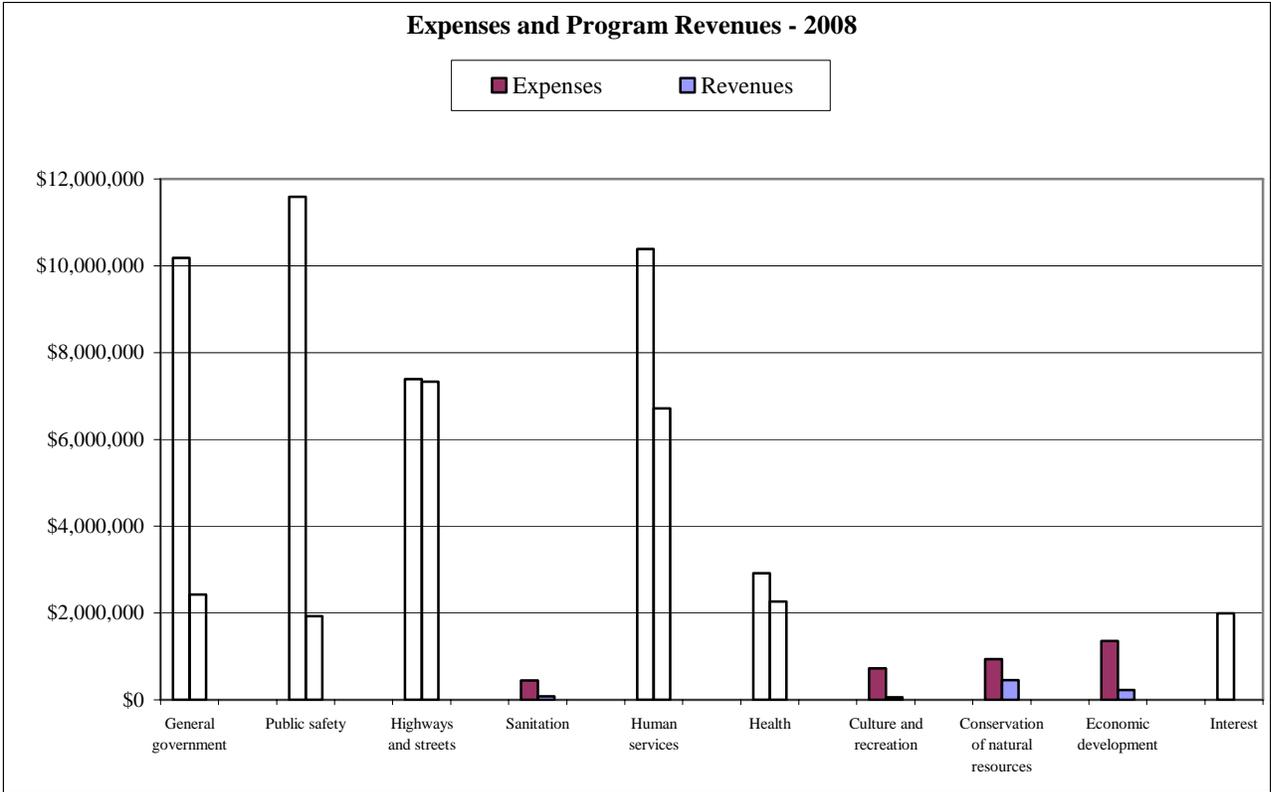
Expenses by Function - 2008



Expenses by Function - 2007







FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$25,964,368, a decrease of \$1,494,730 in comparison with the prior year. Unreserved fund balance of \$20,530,997 is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Chisago County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$7,795,201. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 35.5 percent of total General Fund expenditures. In 2008, ending fund balance in the General Fund increased by \$683,511.

The Road and Bridge Special Revenue Fund's fund balance decreased \$682,368 in 2008. Although revenues exceeded expenses by \$2,762,088, scheduled transfers for debt payments of \$3,317,505 and the net change in inventories accounted for the fund balance decrease.

The Human Services Special Revenue Fund's fund balance increased \$1,606,547 from the prior year due to revenues exceeding expenditures in 2008.

General Fund Budgetary Highlights

Differences between the General Fund's original expenditure budget and the final amended budget totaled \$2,106,453. These differences are largely due to carryover of 2007 unexpended budgeted amounts. Actual revenues exceeded budgeted revenues by \$868,866. The largest variances were attributed to intergovernmental revenue and investment earnings. Actual expenditures were less than budgeted expenditures by \$1,908,413, again largely due to unexpended carryovers from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2008, totaled \$123,445,027 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$8,168,269, or 7.1 percent, from the previous year. The major events affecting this increase were: (1) capitalization of County infrastructure (primarily for County state-aid highway roads) totaling \$9,214,271, and (2) infrastructure improvements on the land for a new jail totaling \$1,747,189.

	Capital Assets (Net of Depreciation)	
	<u>2008</u>	<u>2007</u>
Land	\$ 2,613,277	\$ 2,613,277
Construction in progress	11,795,408	12,192,806
Buildings	15,889,989	16,450,753
Machinery, furniture, and equipment	5,496,424	5,498,339
Infrastructure	<u>87,649,929</u>	<u>78,521,583</u>
Total	<u>\$ 123,445,027</u>	<u>\$ 115,276,758</u>

Long-Term Debt

At the end of the current fiscal year, the County had total bonds and notes outstanding of \$40,380,000, which was backed by the full faith and credit of the government.

	Outstanding Debt	
	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 39,155,000	\$ 40,640,000
General obligation capital notes	<u>1,225,000</u>	<u>1,430,831</u>
Total Long-Term Debt	<u>\$ 40,380,000</u>	<u>\$ 42,070,831</u>

The County's debt related to general obligation bonds and notes decreased by \$1,690,831 (four percent) during the fiscal year. The decrease was due to the retirement of various general obligation bonds and one capital note.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2008, Chisago County was well below the three-percent debt limit imposed by state statutes.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Chisago County's unemployment rate was 9.2 percent at the end of 2008; the statewide rate was 6.8 percent, and the national rate was 7.2 percent. These rates have not been seasonally adjusted.
- The economic climate continues to have an effect on the residential growth in the County. In addition, housing prices are being affected by the economic situation.
- At the end of 2008, Chisago County approved its 2009 revenue and expenditure budgets. Property tax levies have increased 5.65 percent for 2009 due to an expected 6.5 percent increase in expenditures, primarily due to highway projects.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	Primary Government Governmental Activities	Discretely Presented Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 24,959,690	\$ 1,414,746
Receivables - net	7,722,540	48,319
Inventories	470,447	-
Prepaid items	85,173	11,210
Advances to other agencies	145,870	-
Deferred charges	197,433	119,915
Land held for resale	-	3,253,428
Capital lease receivable	-	5,592,330
Capital assets		
Non-depreciable capital assets	14,408,685	243,181
Depreciable capital assets - net of accumulated depreciation	109,036,342	5,662,973
Total Assets	\$ 157,026,180	\$ 16,346,102
<u>Liabilities</u>		
Accounts payable and other current liabilities	\$ 2,320,461	\$ 120,993
Accrued interest payable	742,273	128,081
Due to other governments	325,913	8,664
Security deposits	-	51,889
Unearned revenue	115,668	-
Long-term liabilities		
Due within one year	3,736,581	270,577
Due in more than one year	46,484,466	12,630,580
Total Liabilities	\$ 53,725,362	\$ 13,210,784
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 83,046,458	\$ 1,361,496
Restricted for		
General government	2,171,054	-
Highways and streets	471,447	-
Human services	145,870	-
Debt service	2,645,000	-
Unrestricted	14,820,989	1,773,822
Total Net Assets	\$ 103,300,818	\$ 3,135,318

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 10,185,364	\$ 2,289,995
Public safety	11,592,485	1,064,635
Highways and streets	7,387,306	219,893
Sanitation	447,775	83,047
Human services	10,384,380	467,140
Health	2,914,001	858,211
Culture and recreation	722,872	61,875
Conservation of natural resources	935,904	965
Economic development	1,358,859	228,356
Interest	1,996,537	-
Total Primary Government	\$ 47,925,483	\$ 5,274,117
Component Unit		
Housing and Redevelopment Authority	\$ 1,444,959	\$ 1,055,652
 General Revenues		
Property taxes		
Gravel taxes		
Mortgage registry and deed tax		
Payments in lieu of tax		
Grants and contributions not restricted to specific programs		
Investment income		
Gain on disposal of capital assets		
Total general revenues		
Change in net assets		
Net Assets - Beginning		
Net Assets - Ending		

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Discretely Presented Component Unit
\$ 137,639	\$ -	\$ (7,757,730)	
862,710	-	(9,665,140)	
2,419,698	4,693,823	(53,892)	
-	-	(364,728)	
6,249,075	-	(3,668,165)	
1,404,105	-	(651,685)	
-	-	(660,997)	
451,682	-	(483,257)	
-	-	(1,130,503)	
-	-	(1,996,537)	
\$ 11,524,909	\$ 4,693,823	\$ (26,432,634)	
\$ 48,563	\$ -		\$ (340,744)
		\$ 29,028,664	\$ 597,729
		76,522	-
		43,125	-
		588,147	-
		2,986,326	-
		1,073,667	27,415
		51,300	-
		\$ 33,847,751	\$ 625,144
		\$ 7,415,117	\$ 284,400
		95,885,701	2,850,918
		\$ 103,300,818	\$ 3,135,318

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 8,867,359	\$ 1,313,774	\$ 5,365,684
Petty cash and change funds	2,150	-	-
Undistributed cash in agency funds	231,359	107,961	80,276
Departmental cash	13,157	-	-
Taxes receivable			
Prior	679,537	311,980	314,405
Special assessments receivable			
Prior	-	-	-
Noncurrent	-	-	-
Accounts receivable	26,996	1,527	189,236
Accrued interest receivable	161,136	-	-
Notes receivable	1,000,000	-	-
Due from other funds	28,466	1,793	9,745
Due from other governments	276,031	3,676,602	642,579
Loans receivable	164,701	-	-
Inventories	-	470,447	-
Advances to other agencies	-	-	145,870
Prepaid items	85,173	-	-
	\$ 11,536,065	\$ 5,884,084	\$ 6,747,795
Total Assets	\$ 11,536,065	\$ 5,884,084	\$ 6,747,795

EXHIBIT 3

<u>Debt Service</u>	<u>County Capital Projects</u>	<u>Jail Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,647,768	\$ 13,432	\$ 1,147,387	\$ 5,120,611	\$ 24,476,015
-	-	-	-	2,150
20,087	-	-	28,685	468,368
-	-	-	-	13,157
77,714	-	-	99,454	1,483,090
-	-	-	28,515	28,515
37,751	-	-	15,925	53,676
-	-	-	-	217,759
-	-	-	-	161,136
-	-	-	-	1,000,000
-	-	-	-	40,004
-	-	-	18,451	4,613,663
-	-	-	-	164,701
-	-	-	-	470,447
-	-	-	-	145,870
-	-	-	-	85,173
<u>\$ 2,783,320</u>	<u>\$ 13,432</u>	<u>\$ 1,147,387</u>	<u>\$ 5,311,641</u>	<u>\$ 33,423,724</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge	Human Services
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 269,674	\$ 440,859	\$ 367,945
Salaries payable	467,129	109,536	321,986
Contracts payable	-	271,240	-
Due to other funds	11,537	-	28,111
Due to other governments	202,124	36,814	84,655
Deferred revenue - unavailable	557,354	3,675,551	252,380
Deferred revenue - unearned	61,992	-	-
	\$ 1,569,810	\$ 4,534,000	\$ 1,055,077
Fund Balances			
Reserved for			
Prepaid items	\$ 85,173	\$ -	\$ -
Law library	19,085	-	-
Recorder's equipment	438,107	-	-
Inventories	-	470,447	-
Debt service	-	-	-
Advances to other agencies	-	-	145,870
Loans receivable	164,701	-	-
Sheriff's contingency	11,420	-	-
Notes receivable	1,000,000	-	-
Land records technology	426,600	-	-
Sheriff's forfeited property	25,968	-	-
Driveway deposits	-	1,000	-
Unreserved, designated for			
Future expenditures	974,397	-	-
Cash flows	6,500,000	878,637	4,100,000
Medical insurance	21,833	-	-
Undesignated	298,971	-	1,446,848
Unreserved, reported in nonmajor special revenue funds	-	-	-
	\$ 9,966,255	\$ 1,350,084	\$ 5,692,718
Total Fund Balances	\$ 9,966,255	\$ 1,350,084	\$ 5,692,718
Total Liabilities and Fund Balances	\$ 11,536,065	\$ 5,884,084	\$ 6,747,795

EXHIBIT 3
(Continued)

<u>Debt Service</u>	<u>County Capital Projects</u>	<u>Jail Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 7,650	\$ 57,360	\$ 1,143,488
-	-	-	7,082	905,733
-	-	-	-	271,240
-	-	-	356	40,004
-	-	-	2,320	325,913
62,197	-	-	109,828	4,657,310
37,751	-	-	15,925	115,668
<u>\$ 99,948</u>	<u>\$ -</u>	<u>\$ 7,650</u>	<u>\$ 192,871</u>	<u>\$ 7,459,356</u>
\$ -	\$ -	\$ -	\$ -	\$ 85,173
-	-	-	-	19,085
-	-	-	-	438,107
-	-	-	-	470,447
2,645,000	-	-	-	2,645,000
-	-	-	-	145,870
-	-	-	-	164,701
-	-	-	-	11,420
-	-	-	-	1,000,000
-	-	-	-	426,600
-	-	-	-	25,968
-	-	-	-	1,000
-	13,000	1,139,737	-	2,127,134
-	-	-	-	11,478,637
-	-	-	-	21,833
38,372	432	-	-	1,784,623
-	-	-	5,118,770	5,118,770
<u>\$ 2,683,372</u>	<u>\$ 13,432</u>	<u>\$ 1,139,737</u>	<u>\$ 5,118,770</u>	<u>\$ 25,964,368</u>
<u>\$ 2,783,320</u>	<u>\$ 13,432</u>	<u>\$ 1,147,387</u>	<u>\$ 5,311,641</u>	<u>\$ 33,423,724</u>

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Fund balance - total governmental funds		\$ 25,964,368
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		123,445,027
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		4,657,310
<p>Long-term liabilities and related accrued interest payable and deferred debt issuance charges are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
<p>General obligation bonds - net of premiums and discounts</p>	\$ (39,173,569)	
Capital notes	(1,225,000)	
Capital leases	(5,797,685)	
Compensated absences	(3,670,159)	
Net OPEB liability	(354,634)	
Accrued interest payable	(742,273)	
Deferred charges	197,433	
	(50,765,887)	(50,765,887)
Net Assets of Governmental Activities		<u><u>\$ 103,300,818</u></u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 13,419,483	\$ 6,228,825	\$ 5,965,209
Special assessments	-	-	-
Licenses and permits	360,599	12,415	-
Intergovernmental	4,941,145	9,146,375	7,305,313
Charges for services	2,292,197	130,680	1,048,628
Fines and forfeits	277,657	-	-
Gifts and contributions	4,990	-	-
Investment earnings	1,017,091	-	-
Miscellaneous	226,603	98,800	275,619
Total Revenues	\$ 22,539,765	\$ 15,617,095	\$ 14,594,769
Expenditures			
Current			
General government	\$ 10,371,497	\$ 134,814	\$ -
Public safety	9,253,468	-	-
Highways and streets	-	12,720,193	-
Sanitation	-	-	-
Human services	-	-	10,116,782
Health	-	-	2,871,440
Culture and recreation	330,507	-	-
Conservation of natural resources	666,936	-	-
Economic development	743,211	-	-
Intergovernmental	565,130	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	\$ 21,930,749	\$ 12,855,007	\$ 12,988,222
Excess of Revenues Over (Under) Expenditures	\$ 609,016	\$ 2,762,088	\$ 1,606,547
Other Financing Sources (Uses)			
Transfers in	\$ 1,095,000	\$ 2,000,000	\$ -
Transfers out	(1,020,505)	(5,317,505)	-
Total Other Financing Sources (Uses)	\$ 74,495	\$ (3,317,505)	\$ -
Net Change in Fund Balances	\$ 683,511	\$ (555,417)	\$ 1,606,547
Fund Balances - January 1	9,282,744	2,032,452	4,086,171
Increase (decrease) in reserved for inventories	-	(126,951)	-
Fund Balances - December 31	\$ 9,966,255	\$ 1,350,084	\$ 5,692,718

EXHIBIT 5

Debt Service	County Capital Projects	Jail Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,500,749	\$ -	\$ -	\$ 1,793,025	\$ 28,907,291
682	-	-	256,085	256,767
-	-	-	5,880	378,894
91,778	-	-	373,466	21,858,077
-	-	-	309,185	3,780,690
-	-	-	-	277,657
-	-	-	-	4,990
-	-	-	-	1,017,091
-	-	-	79,026	680,048
\$ 1,593,209	\$ -	\$ -	\$ 2,816,667	\$ 57,161,505
\$ -	\$ -	\$ -	\$ 2,241	\$ 10,508,552
-	-	-	-	9,253,468
-	-	-	-	12,720,193
-	-	-	421,040	421,040
-	-	-	-	10,116,782
-	-	-	-	2,871,440
-	-	-	112,141	442,648
-	-	-	264,717	931,653
-	-	-	-	743,211
-	-	-	-	565,130
-	8,222	2,678,932	1,926,873	4,614,027
3,300,080	-	-	-	3,300,080
2,040,629	431	-	-	2,041,060
\$ 5,340,709	\$ 8,653	\$ 2,678,932	\$ 2,727,012	\$ 58,529,284
\$ (3,747,500)	\$ (8,653)	\$ (2,678,932)	\$ 89,655	\$ (1,367,779)
\$ 3,821,371	\$ -	\$ -	\$ 1,020,505	\$ 7,936,876
-	-	(103,125)	(1,495,741)	(7,936,876)
\$ 3,821,371	\$ -	\$ (103,125)	\$ (475,236)	\$ -
\$ 73,871	\$ (8,653)	\$ (2,782,057)	\$ (385,581)	\$ (1,367,779)
2,609,501	22,085	3,921,794	5,504,351	27,459,098
-	-	-	-	(126,951)
\$ 2,683,372	\$ 13,432	\$ 1,139,737	\$ 5,118,770	\$ 25,964,368

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net change in fund balance - total governmental funds **\$ (1,367,779)**

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 expenditures are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and the statement of activities is the increase or decrease in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 4,657,310	
Deferred revenue - January 1	(6,433,630)	(1,776,320)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for capital assets	\$ 12,084,624	
Net book value of disposed assets	(69,194)	
Current year depreciation	(3,847,161)	8,168,269

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, 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.

New debt issued (bonds, capital notes, and capital leases)		(44,585)
Principal repayments		
Reported as debt service expenditures (bonds, notes, and capital leases)		3,300,080

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	\$ 85,458	
Amortization of bond discounts, premiums, and deferred issuance charges	(40,935)	
Change in compensated absences	(427,486)	
Change in net OPEB liability	(354,634)	
Change in inventories	(126,951)	(864,548)

Change in Net Assets of Governmental Activities **\$ 7,415,117**

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 14,171,921	\$ 14,171,921	\$ 13,419,483	\$ (752,438)
Licenses and permits	428,150	428,150	360,599	(67,551)
Intergovernmental	3,743,828	3,743,828	4,941,145	1,197,317
Charges for services	2,149,500	2,149,500	2,292,197	142,697
Fines and forfeits	192,500	192,500	277,657	85,157
Gifts and contributions	-	-	4,990	4,990
Investment earnings	800,000	800,000	1,017,091	217,091
Miscellaneous	185,000	185,000	226,603	41,603
Total Revenues	\$ 21,670,899	\$ 21,670,899	\$ 22,539,765	\$ 868,866
Expenditures				
Current				
General government				
Commissioners	\$ 297,083	\$ 297,083	\$ 271,705	\$ 25,378
Courts	246,995	246,995	234,654	12,341
Law library	35,000	62,475	56,374	6,101
County administrator	486,240	486,240	496,868	(10,628)
County auditor	334,094	334,094	351,949	(17,855)
County treasurer	260,449	260,449	252,604	7,845
County assessor	743,526	743,526	739,062	4,464
Elections	40,000	58,254	64,595	(6,341)
Data processing	3,313,392	3,613,392	3,164,613	448,779
Central services	195,000	195,000	132,556	62,444
Attorney	1,169,229	1,169,229	1,113,424	55,805
Recorder	668,151	1,365,396	365,388	1,000,008
Planning and zoning	800,723	937,563	896,275	41,288
Maintenance	406,358	406,358	363,992	42,366
Switchboard	-	-	9,842	(9,842)
Veterans service officer	84,596	84,596	79,976	4,620
Other general government	968,719	1,168,137	1,777,620	(609,483)
Total general government	\$ 10,049,555	\$ 11,428,787	\$ 10,371,497	\$ 1,057,290

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,130,153	\$ 4,130,153	\$ 4,014,963	\$ 115,190
Sheriff's contingent	-	9,048	4,297	4,751
Boat and water safety	34,568	34,568	63,899	(29,331)
Coroner	85,000	85,000	94,305	(9,305)
Enhanced 911 system	60,000	176,346	60,000	116,346
County jail	4,121,308	4,121,308	3,718,651	402,657
Caseload reduction	77,363	93,668	69,549	24,119
Jail canteen fund	-	43,368	20,677	22,691
Probation and parole	676,199	676,199	704,192	(27,993)
Sentenced to serve	53,900	53,900	26,855	27,045
Electronic monitoring	19,184	20,034	19,758	276
Juvenile substance abuse court	115,000	131,543	54,930	76,613
Civil defense	-	-	234	(234)
Emergency management	53,760	56,285	49,248	7,037
Other public safety	260,013	673,675	351,910	321,765
Total public safety	\$ 9,686,448	\$ 10,305,095	\$ 9,253,468	\$ 1,051,627
Culture and recreation				
Historical society	\$ 37,150	\$ 37,150	\$ 37,150	\$ -
Parks	241,012	246,012	233,790	12,222
Senior citizens	39,000	39,000	39,000	-
Other	23,482	23,482	20,567	2,915
Total culture and recreation	\$ 340,644	\$ 345,644	\$ 330,507	\$ 15,137
Conservation of natural resources				
Cooperative extension	\$ 140,187	\$ 140,187	\$ 114,592	\$ 25,595
Soil and water conservation	60,000	60,000	60,000	-
Agricultural society/County fair	22,000	22,000	22,000	-
Oak wilt program	4,500	4,500	4,500	-
Water planning	87,733	133,106	157,540	(24,434)
Wetland challenge	79,086	79,086	93,366	(14,280)
Other	18,050	76,251	214,938	(138,687)
Total conservation of natural resources	\$ 411,556	\$ 515,130	\$ 666,936	\$ (151,806)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Community development	\$ 139,763	\$ 139,763	\$ 85,751	\$ 54,012
Other	532,946	532,946	657,460	(124,514)
Total economic development	\$ 672,709	\$ 672,709	\$ 743,211	\$ (70,502)
Intergovernmental				
Library	\$ 571,797	\$ 571,797	\$ 565,130	\$ 6,667
Total Expenditures	\$ 21,732,709	\$ 23,839,162	\$ 21,930,749	\$ 1,908,413
Excess of Revenues Over (Under)				
Expenditures	\$ (61,810)	\$ (2,168,263)	\$ 609,016	\$ 2,777,279
Other Financing Sources (Uses)				
Transfers in	\$ 61,810	\$ 61,810	\$ 1,095,000	\$ 1,033,190
Transfers out	-	-	(1,020,505)	(1,020,505)
Total Other Financing Sources (Uses)	\$ 61,810	\$ 61,810	\$ 74,495	\$ 12,685
Net Change in Fund Balance	\$ -	\$ (2,106,453)	\$ 683,511	\$ 2,789,964
Fund Balance - January 1	9,282,744	9,282,744	9,282,744	-
Fund Balance - December 31	\$ 9,282,744	\$ 7,176,291	\$ 9,966,255	\$ 2,789,964

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 8

**BUDGETARY COMPARISON STATEMENT
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,586,136	\$ 6,586,136	\$ 6,228,825	\$ (357,311)
Licenses and permits	39,000	39,000	12,415	(26,585)
Intergovernmental	6,831,467	6,831,467	9,146,375	2,314,908
Charges for services	75,000	75,000	130,680	55,680
Miscellaneous	-	-	98,800	98,800
Total Revenues	\$ 13,531,603	\$ 13,531,603	\$ 15,617,095	\$ 2,085,492
Expenditures				
Current				
General government				
Surveyor	\$ 165,540	\$ 165,540	\$ 134,814	\$ 30,726
Highways and streets				
Administration	\$ 974,410	\$ 974,410	\$ 1,243,158	\$ (268,748)
Engineering	1,275,475	1,275,475	1,626,955	(351,480)
Maintenance	3,199,787	3,199,787	3,484,376	(284,589)
Construction	5,116,528	5,116,528	5,310,011	(193,483)
Equipment, maintenance, and shop	734,835	734,835	1,055,693	(320,858)
Total highways and streets	\$ 11,301,035	\$ 11,301,035	\$ 12,720,193	\$ (1,419,158)
Total Expenditures	\$ 11,466,575	\$ 11,466,575	\$ 12,855,007	\$ (1,388,432)
Excess of Revenues Over (Under) Expenditures	\$ 2,065,028	\$ 2,065,028	\$ 2,762,088	\$ 697,060
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000
Transfers out	(2,065,028)	(2,065,028)	(5,317,505)	(3,252,477)
Total Other Financing Sources (Uses)	\$ (2,065,028)	\$ (2,065,028)	\$ (3,317,505)	\$ (1,252,477)
Net Change in Fund Balance	\$ -	\$ -	\$ (555,417)	\$ (555,417)
Fund Balance - January 1	2,032,452	2,032,452	2,032,452	-
Increase (decrease) in reserved for inventories	-	-	(126,951)	(126,951)
Fund Balance - December 31	\$ 2,032,452	\$ 2,032,452	\$ 1,350,084	\$ (682,368)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 9

**BUDGETARY COMPARISON STATEMENT
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,331,500	\$ 6,331,500	\$ 5,965,209	\$ (366,291)
Intergovernmental	6,270,430	6,270,430	7,305,313	1,034,883
Charges for services	801,976	801,976	1,048,628	246,652
Miscellaneous	379,110	379,110	275,619	(103,491)
Total Revenues	\$ 13,783,016	\$ 13,783,016	\$ 14,594,769	\$ 811,753
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,689,864	\$ 2,689,864	\$ 2,661,605	\$ 28,259
Social services	8,116,818	8,116,818	7,455,177	661,641
Total human services	\$ 10,806,682	\$ 10,806,682	\$ 10,116,782	\$ 689,900
Health				
Nursing service	\$ 2,072,433	\$ 2,072,433	\$ 2,042,395	\$ 30,038
Maternal and child health	908,787	908,787	829,045	79,742
Total health	\$ 2,981,220	\$ 2,981,220	\$ 2,871,440	\$ 109,780
Total Expenditures	\$ 13,787,902	\$ 13,787,902	\$ 12,988,222	\$ 799,680
Net Change in Fund Balance	\$ (4,886)	\$ (4,886)	\$ 1,606,547	\$ 1,611,433
Fund Balance - January 1	4,086,171	4,086,171	4,086,171	-
Fund Balance - December 31	\$ 4,081,285	\$ 4,081,285	\$ 5,692,718	\$ 1,611,433

CHISAGO COUNTY
CENTER CITY, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	<u>\$ 1,027,242</u>
<u>Liabilities</u>	
Accounts payable	\$ 2,396
Deferred benefits	37,460
Due to other governments	<u>987,386</u>
Total Liabilities	<u>\$ 1,027,242</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

1. Summary of Significant Accounting Policies

Chisago County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Chisago County was established September 1, 1851, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the Board for an indefinite term, serves as the clerk of the Board of Commissioners but has no vote.

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

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

Joint Ventures

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

Additionally, the County reports the following fund type:

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Chisago County considers all revenues as available if collected within 60 days after the end of the current period.

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, 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 2008 were \$1,073,667.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

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

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the 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.

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Fund Equity

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

9. Use of Estimates

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

E. Revenues

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

1. Imposed Nonexchange Transactions

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues (Continued)

2. Intergovernmental

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

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

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

3. Exchange Transactions

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

On or before mid-August of each year, all departments submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

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

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

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of \$115,604 as of December 31, 2008, although three ditches had deficit balances. The deficits will be eliminated with future special assessment levies against benefited properties. Following is a summary of the individual ditch systems:

10 ditches with positive balances	\$ 116,091
3 ditches with deficit balances	<u>(487)</u>
Net Fund Balance	<u>\$ 115,604</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

C. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget at the department level for the year ended December 31, 2008.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
Current			
General government			
County administrator	\$ 496,868	\$ 486,240	\$ 10,628
County auditor	351,949	334,094	17,855
Elections	64,595	58,254	6,341
Switchboard	9,842	-	9,842
Other general government	1,777,620	1,168,137	609,483
Public safety			
Boat and water safety	63,899	34,568	29,331
Coroner	94,305	85,000	9,305
Probation and parole	704,192	676,199	27,993
Civil defense	234	-	234
Conservation of natural resources			
Water planning	157,540	133,106	24,434
Wetland challenge	93,366	79,086	14,280
Other	214,938	76,251	138,687
Economic development			
Other	657,460	532,946	124,514
Special Revenue Funds			
Road and Bridge			
Current			
Highways and streets	12,720,193	11,301,035	1,419,158
County Building			
Capital outlay	134,662	80,000	54,662
Lake Improvement District			
Current			
Conservation of natural resources	264,717	250,000	14,717
Solid Waste			
Current			
Sanitation			
Recycling	173,093	153,260	19,833
Other	78,729	5,000	73,729

**CHISAGO COUNTY
CENTER CITY, 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	\$ 24,959,690
Statement of fiduciary net assets	
Cash and pooled investments	<u>1,027,242</u>
Total Cash and Investments	<u>\$ 25,986,932</u>
Deposits	\$ (144,088)
Petty cash and change funds	2,150
Departmental cash	13,157
Investments	<u>26,115,713</u>
Total Deposits, Cash on Hand, and Investments	<u>\$ 25,986,932</u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Board. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit 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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, the County complies with Minnesota statutes in establishing collateral for its deposits. At December 31, 2008, the County was not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;

**CHISAGO COUNTY
CENTER CITY, 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.

At December 31, 2008, the County had the following investments:

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>5+ Years</u>
U.S. agency securities	\$ 8,904,120	\$ -	\$ 2,330,145	\$ 6,573,975
MAGIC Fund	13,156,590	13,156,590	-	-
Negotiable certificates of deposit	<u>4,055,003</u>	<u>2,315,867</u>	<u>1,739,136</u>	<u>-</u>
Total Investments	<u>\$ 26,115,713</u>	<u>\$ 15,472,457</u>	<u>\$ 4,069,281</u>	<u>\$ 6,573,975</u>

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's exposure to credit risk at December 31, 2008, is as follows:

	S & P Rating	Fair Value
U.S. agency securities	AAA	\$ 8,904,120
MAGIC Fund	N/R	13,156,590
Negotiable certificates of deposit	N/A	4,055,003
Total		\$ 26,115,713

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

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. Investments in any one issuer that represent five percent or more of the County's investments are as follows:

Issuer	Reported Amount
Federal Home Loan Mortgage Corporation	\$ 4,771,925
Federal National Mortgage Association	2,981,506
MAGIC Fund	13,156,590

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. All securities purchased by the County are held in safekeeping by a third-party designated institution as agent for the County. As of December 31, 2008, the County's investments were not exposed to custodial credit risk.

2. Receivables

Receivables as of December 31, 2008, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
	<u> </u>	<u> </u>
Governmental Activities		
Taxes	\$ 1,483,090	\$ -
Special assessments	82,191	53,676
Accounts	217,759	-
Accrued interest	161,136	-
Notes	1,000,000	1,000,000
Due from other governments	4,613,663	-
Loans	164,701	149,939
	<u> </u>	<u> </u>
Total Governmental Activities	<u>\$ 7,722,540</u>	<u>\$ 1,203,615</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,613,277	\$ -	\$ -	\$ 2,613,277
Construction in progress	12,192,806	5,223,468	5,620,866	11,795,408
Total capital assets not depreciated	\$ 14,806,083	\$ 5,223,468	\$ 5,620,866	\$ 14,408,685
Capital assets depreciated				
Buildings	\$ 22,447,096	\$ -	\$ -	\$ 22,447,096
Machinery, furniture, and equipment	11,786,461	1,493,043	815,559	12,463,945
Infrastructure	91,858,593	10,988,979	-	102,847,572
Total capital assets depreciated	\$ 126,092,150	\$ 12,482,022	\$ 815,559	\$ 137,758,613
Less: accumulated depreciation for				
Buildings	\$ 5,996,343	\$ 560,764	\$ -	\$ 6,557,107
Machinery, furniture, and equipment	6,288,122	1,425,764	746,365	6,967,521
Infrastructure	13,337,010	1,860,633	-	15,197,643
Total accumulated depreciation	\$ 25,621,475	\$ 3,847,161	\$ 746,365	\$ 28,722,271
Total capital assets depreciated, net	\$ 100,470,675	\$ 8,634,861	\$ 69,194	\$ 109,036,342
Capital Assets, Net	\$ 115,276,758	\$ 13,858,329	\$ 5,690,060	\$ 123,445,027

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

Governmental Activities	
General government	\$ 723,264
Public safety	411,251
Highways and streets, including depreciation of infrastructure assets	2,375,847
Sanitation	5,833
Health	75,156
Culture and recreation	216,090
Economic development	39,720
Total Depreciation Expense - Governmental Activities	\$ 3,847,161

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Human Services	\$ 28,111
Road and Bridge	General	1,793
Human Services	General	9,745
General	Tax Forfeited Land	356
Total		<u>\$ 40,005</u>

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfers to Road and Bridge Fund from General Fund and Capital Equipment Fund	\$ 2,000,000	Temporary cash transfer
Transfer to General Fund from Road and Bridge Fund	1,000,000	Return of temporary cash transfer
Transfer to General Fund from Solid Waste Fund	95,000	Transfer of solid waste fees
Transfers to Debt Service Fund from Road and Bridge Fund	3,317,505	Provide funds for repayment of debt
Transfer to Debt Service Fund from Jail Capital Projects Fund and other governmental funds	503,866	Provide funds for repayment of debt
Transfer to Capital Equipment Fund from Road and Bridge Fund	1,000,000	Return of temporary cash transfer
Transfer to Capital Equipment Fund from General Fund	20,505	Transfer of insurance reimbursement and contingency for squad cars
Total Interfund Transfers	<u>\$ 7,936,876</u>	

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

	Governmental Activities
Accounts	\$ 1,143,488
Salaries	905,733
Contracts	271,240
Due to other governments	325,913
Total Payables	\$ 2,646,374

2. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable, state grants that are not collected soon enough after year-end to pay liabilities of the current period, state and federal grants received but not yet earned, and highway allotments and other revenue sources either received but unearned or not received soon enough after year-end. Deferred revenue at December 31, 2008, is summarized below by fund:

	Taxes and Special Assessments	Grants	Highway Allotments and Other	Total
Major governmental funds				
General	\$ 500,778	\$ 61,992	\$ 56,576	\$ 619,346
Road and Bridge	248,650	-	3,426,901	3,675,551
Human Services	252,380	-	-	252,380
Debt Service	99,948	-	-	99,948
Other governmental funds				
County Building	7,187	-	-	7,187
Ditch	525	-	-	525
Lake Improvement District	22,289	-	-	22,289
Solid Waste	27,991	-	-	27,991
Capital Equipment	67,761	-	-	67,761
Total	\$ 1,227,509	\$ 61,992	\$ 3,483,477	\$ 4,772,978

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Deferred Revenue (Continued)

	Taxes and Special Assessments	Grants	Highway Allotments and Other	Total
Deferred revenue				
Unavailable	\$ 1,173,833	\$ -	\$ 3,483,477	\$ 4,657,310
Unearned	53,676	61,992	-	115,668
Total	<u>\$ 1,227,509</u>	<u>\$ 61,992</u>	<u>\$ 3,483,477</u>	<u>\$ 4,772,978</u>

3. Capital Leases

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

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

Lease	Maturity	Installment	Payment Amount	Original	Balance
2007 Caterpillar wheel loader	2012	Annually	\$ 25,220	\$ 105,516	\$ 86,891
2007 Caterpillar wheel loader	2012	Annually	34,383	143,856	118,464
Buildings and libraries	2026	Annually	Various	10,720,000	<u>5,592,330</u>
Total Capital Leases					<u>\$ 5,797,685</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2008, were as follows:

Year Ending December 31	Governmental Activities
2009	\$ 286,769
2010	294,692
2011	307,797
2012	326,097
2013	280,000
2014 and beyond	4,940,000
Total minimum lease payments	\$ 6,435,355
Less: amount representing cash with escrow	(637,670)
Present Value of Minimum Lease Payments	\$ 5,797,685

4. Long-Term Debt

The County issues general obligation bonds and capital notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the County. General obligation bonds and notes outstanding at December 31, 2008, are as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Balance December 31, 2008
2001 Capital Improvement Bonds	2016	\$240,000 - \$455,000	3.50 - 4.75	\$ 5,000,000	\$ 3,080,000
2002A Capital Improvement Bonds	2018	\$50,000 - \$90,000	4.40 - 4.90	1,000,000	735,000
2003A Capital Improvement Bonds	2013	\$400,000 - \$550,000	3.00 - 3.40	2,000,000	2,000,000
2003B Jail and Courthouse Bonds	2014	\$65,000 - \$85,000	2.05 - 4.10	720,000	460,000

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Balance December 31, 2008
2004A State-Aid Road Bonds	2014	\$365,000 - \$450,000	1.50 - 3.30	4,000,000	2,510,000
2005A Road Reconstruction Bonds	2017	\$590,000 - \$835,000	3.50 - 4.00	7,000,000	6,410,000
2005B Capital Notes	2015	\$125,000 - \$195,000	3.60 - 4.00	1,500,000	1,225,000
2006 Capital Improvement Bonds	2026	\$250,000 - \$1,975,000	4.00 - 4.75	14,500,000	14,500,000
2007A State-Aid Road Bonds	2018	\$330,000 - \$470,000	3.65 - 3.85	3,960,000	3,960,000
2007B Temporary Jail Bonds	2010	\$5,500,000	3.75	<u>5,500,000</u>	<u>5,500,000</u>
Total General Obligation Bonds and Notes				<u>\$ 45,180,000</u>	\$ 40,380,000
Add: unamortized premium					99,972
Less: unamortized discount					<u>(81,403)</u>
Total Bonds and Notes, Net					<u>\$ 40,398,569</u>

5. Debt Service Requirements

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2009	\$ 2,035,000	\$ 1,544,368	\$ 155,000	\$ 44,178
2010	8,290,000	1,357,708	160,000	38,507
2011	2,890,000	1,154,618	170,000	32,483
2012	2,500,000	1,058,223	175,000	25,969
2013	2,465,000	968,587	180,000	19,000
2014 - 2018	8,910,000	3,701,666	385,000	15,500
2019 - 2023	6,880,000	2,072,594	-	-
2024 - 2028	<u>5,185,000</u>	<u>388,668</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 39,155,000</u>	<u>\$ 12,246,432</u>	<u>\$ 1,225,000</u>	<u>\$ 175,637</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 40,640,000	\$ -	\$ 1,485,000	\$ 39,155,000	\$ 2,035,000
Capital notes	1,430,831	-	205,831	1,225,000	155,000
Add: unamortized premium	108,205	-	8,233	99,972	-
Less: deferred amounts for issuance discounts	(99,639)	-	(18,236)	(81,403)	-
Total bonds and notes payable	\$ 42,079,397	\$ -	\$ 1,680,828	\$ 40,398,569	\$ 2,190,000
Capital leases	7,362,349	44,585	1,609,249	5,797,685	286,769
Compensated absences	3,242,673	427,486	-	3,670,159	1,259,812
Net OPEB liability	-	354,634	-	354,634	-
Long-Term Liabilities	<u>\$ 52,684,419</u>	<u>\$ 826,705</u>	<u>\$ 3,290,077</u>	<u>\$ 50,221,047</u>	<u>\$ 3,736,581</u>

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate increased to 9.4 percent in 2009. 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 2008 and 2009:

	<u>2008</u>	<u>2009</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public Employees Retirement Fund	\$ 917,275	\$ 855,178	\$ 748,124
Public Employees Police and Fire Fund	340,723	292,402	235,526
Public Employees Correctional Fund	92,251	88,751	88,493

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

B. Defined Contribution Plan

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 9,446	\$ 9,446
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

In 2008, Chisago County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement required the County to calculate and record a net OPEB obligation at December 31, 2008. The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2008.

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Chisago County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the healthcare plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2008, there were approximately 400 participants in the plan, including 39 retirees and 5 retirees' spouses.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2008, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

ARC	\$	439,993
Interest on net OPEB obligation		-
Adjustment to ARC		-
		-
Annual OPEB cost (expense)	\$	439,993
Contributions made during the year		(85,359)
		(85,359)
Increase in net OPEB obligation	\$	354,634
Net OPEB Obligation - Beginning of Year		-
		-
Net OPEB Obligation - End of Year	\$	354,634
		354,634

The County's annual OPEB cost for December 31, 2008, was \$439,993. The percentage of annual OPEB cost contributed to the plan was 19.4 percent, and the net OPEB obligation for 2008 was \$354,634. Trend information for the previous two years is not available at this time based on the implementation date of December 31, 2008.

Funding Status and Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was \$2,633,579, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$2,633,579. The covered payroll (annual payroll of active employees covered by the plan) was \$16,882,667, and the ratio of the UAAL to the covered payroll was 15.6 percent.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Funding Status and Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the January 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Chisago County's implicit rate of return on the General Fund. The annual healthcare cost trend is 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over eight years. Both rates included a 2.5 percent inflation assumption. The dental trend rate is 4.0 percent. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2008, was 29 years.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$410,000 per claim in 2008 and \$430,000 per claim in 2009, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

In 2001, Chisago County began to self-insure for employee dental coverage. The County contracts with Delta Dental to administer the County's self-insured dental benefit claims. Delta Dental processes all benefit claims and charges the County an administrative fee. The County maintains a self-insurance account within the General Fund and pays all claims as incurred. For 2008, the County collected premiums of \$276,858 from County departments. For 2008, claims and administrative costs paid were \$285,103.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

	Year Ended December 31	
	2008	2007
Asset (liability) at January 1	\$ 30,593	\$ 65,337
Current year premiums	276,858	244,097
Claims payments	(285,103)	(278,841)
Asset (Liability) at December 31	\$ 22,348	\$ 30,593

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial. The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Joint Ventures

Chisago Lakes Joint Sewage Treatment Commission

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

The Commission's annual financial report shows total net assets of \$9,013,534 as of December 31, 2008.

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

East Central Solid Waste Commission

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

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

Each county's share of the Commission's assets, liabilities, and equities cannot be accurately determined since it will fluctuate with census data rather than ownership interest. Following is a summary of the financial information as of and for the year ended December 31, 2007 (most recent figures available):

Total Assets	\$ 12,795,105
Total Liabilities	<u>2,547,700</u>
Total Net Assets	<u>\$ 10,247,405</u>
Operating and nonoperating revenues	\$ 4,652,113
Operating and nonoperating expenses	<u>4,089,202</u>
Change in Net Assets	<u>\$ 562,911</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

East Central Solid Waste Commission (Continued)

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

East Central Regional Library

The East Central Regional Library was established by a joint powers agreement among Aitkin, Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to provide an efficient and improved regional public library service. The Library's Board comprises 18 members--one County Board member and two appointees from each county. The Library's financial statements for the year ended December 31, 2008, show total assets of \$1,102,831, total liabilities of \$526,258, and total net assets of \$576,573.

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

D. Subsequent Event

On April 13, 2009, the County Board approved the issuance of General Obligation Capital Improvement Refunding Bonds, Series 2009A, in the amount of \$3,315,000. The bond proceeds are for the purpose of retiring the County's Series 2001 and 2002A General Obligation Capital Improvement Bonds.

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Reporting Entity

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Reporting Entity (Continued)

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

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

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

The HRA-EDA applies all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In accordance with GASB Statement 20, the HRA-EDA does not apply all FASB Statements and Interpretations issued after November 30, 1989.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating revenue and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are tenant rent and City contributions. Operating expenses for proprietary funds include the cost of housing assistance payments, utilities, sales

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

3. Assets, Liabilities, and Net Assets

Deposits and Investments

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

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

- a. direct obligations or obligations guaranteed by the United States or its agencies;
- b. shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities in (1) above;
- c. general obligations of the State of Minnesota or any of its municipalities;
- d. bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;
- e. commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality, and maturing in 270 days or less;

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Net Assets

Deposits and Investments (Continued)

- f. repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers; and
- g. guaranteed investment contracts (GICs) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GICs issued by Minnesota banks.

Investments are stated at fair value.

Property Taxes

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

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

Delinquent taxes receivable include the past six years' uncollected taxes.

Accounts Receivable

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Prepaid Items

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

Capital Assets

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

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

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

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Long-Term Obligations

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

Compensated Absences

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

Comparative Data/Reclassifications

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

B. Detailed Notes on all Funds

1. Deposits and Investments

Deposits

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

1. Deposits and Investments

Deposits (Continued)

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

1. Deposits and Investments

Deposits (Continued)

At December 31, 2008, the HRA-EDA's carrying amount of deposits was \$777,048, and the bank balance was \$798,652, all of which was covered by federal depository insurance and by collateral held by the HRA-EDA's agent in the HRA-EDA's name.

Investments

As of December 31, 2008, the HRA-EDA had the following investments:

<u>Types of Investments</u>	<u>Credit Quality/ Rating (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Fair Value and Carrying Amount</u>
Non-pooled investments			
First American Treasury Obligation Fund	AAA	Less than 6 months	\$ 637,670

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

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

A reconciliation of cash and temporary investments as shown on the statement of net assets as of December 31, 2008, for the HRA-EDA follows:

Carrying amount of deposits	\$ 777,048
Investments	637,670
Cash on hand	<u>28</u>
Total	<u>\$ 1,414,746</u>
Cash and investments	
Cash - unrestricted	\$ 725,186
Cash - tenant security deposits	51,890
Investments - restricted	<u>637,670</u>
Total	<u>\$ 1,414,746</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

1. Deposits and Investments

Investments (Continued)

The investments are subject to the following risks:

- **Credit Risk.** The risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings provided by various credit rating agencies where applicable indicate associated credit risk. Minnesota statutes limit the HRA-EDA's investments to the list in Note 6.A.3.
- **Custodial Credit Risk.** The risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities which are in the possession of an outside party.
- **Concentration of Credit Risk.** The risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with its investment policy, the HRA-EDA minimizes concentration of credit risk by making investments which shall suggest diversification.
- **Interest Rate Risk.** The risk that changes in interest rates will adversely affect the fair value of an investment. Using the segmented time distribution method, the interest rate risk of the HRA-EDA's investments is less than six months.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds (Continued)

2. Receivables

Lease Receivable

The HRA-EDA entered into a capital lease agreement with the County for public projects. The lease receivable is based on the 1997 Lease Revenue Bond and the 2004A Public Project Revenue Bond. The 1997 Lease Revenue Bond and associated lease receivable were paid off during 2008. The receivable is reduced by the amount of cash with escrow agent. The following is a schedule of future lease receivable payments.

Year Ending December 31	Lease Receivable		
	Principal	Interest	Total
2009	\$ 240,000	\$ 291,763	\$ 531,763
2010	245,000	281,759	526,759
2011	255,000	271,447	526,447
2012	270,000	260,585	530,585
2013	280,000	249,101	529,101
2014 - 2018	1,610,000	1,040,122	2,650,122
2019 - 2023	2,070,000	592,560	2,662,560
2024 - 2026	1,260,000	85,763	1,345,763
Total	\$ 6,230,000	\$ 3,073,100	\$ 9,303,100
Less: cash with escrow agent	(637,670)		
Lease Receivable, December 31, 2008	\$ 5,592,330		

Accounts Receivable/Due from Other Governments

As of December 31, 2008, there was \$38,068 due from other governments, which consisted of \$24,554 from Chisago County for taxes, \$12,031 from the City of Rush City for professional services, and \$1,483 due from various other local governments. Accounts receivable at year-end were \$10,251.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and land improvements	\$ 243,181	-	-	\$ 243,181
Capital assets depreciated				
Buildings and structures	\$ 6,262,499	-	-	\$ 6,262,499
Furniture and equipment	27,931	-	-	27,931
Improvements	61,227	18,722	-	79,949
Total capital assets depreciated	\$ 6,351,657	\$ 18,722	\$ -	\$ 6,370,379
Less: accumulated depreciation for				
Buildings and structures	\$ 533,551	\$ 137,674	-	\$ 671,225
Furniture and equipment	13,816	3,990	-	17,806
Improvements	7,113	11,262	-	18,375
Total accumulated depreciation	\$ 554,480	\$ 152,926	\$ -	\$ 707,406
Total capital assets depreciated, net	\$ 5,797,177	\$ (134,204)	\$ -	\$ 5,662,973
Total Capital Assets, Net	\$ 6,040,358	\$ (134,204)	\$ -	\$ 5,906,154

Depreciation expense was charged as follows:

Housing and Economic Development	\$ 152,926
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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds (Continued)

4. Long-Term Debt

General Obligation Bonds

General obligation bonds outstanding as of December 31, 2008, are as follows:

Description	Authorized and Issued	Interest Rate (%)	Issue Date	Maturity Date	Ending Balance
G.O. Taxable Revenue Bonds, Series 2006A	\$ 1,200,000	7.75	11/28/2006	01/01/2007	\$ 1,154,759
G.O. Housing Development Bonds, Series 2005A	2,445,000	3.50 - 4.38	08/03/2005	01/01/2035	2,260,000
G.O. Public Project Revenue Bonds Library Lease Obligation, Series 2004A	6,740,000	4.13 - 5.15	08/01/2004	02/01/2026	6,230,000
G.O. Housing Development Bonds, Series 2003C	2,000,000	3.75 - 5.00	09/01/2003	01/01/2033	1,895,000
Total General Obligation Bonds					<u>\$ 11,539,759</u>

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

Year Ending December 31	G.O. Bonds Business-Type Activities		
	Principal	Interest	Total
2009	\$ 254,510	\$ 428,484	\$ 682,994
2010	389,972	552,137	942,109
2011	407,374	535,098	942,472
2012	429,739	517,259	946,998
2013	447,751	497,815	945,566
2014 - 2018	3,365,413	2,050,625	5,416,038
2019 - 2023	3,000,000	1,167,251	4,167,251
2024 - 2028	2,225,000	432,260	2,657,260
2029 - 2033	890,000	139,656	1,029,656
2034 - 2035	130,000	5,689	135,689
Total	<u>\$ 11,539,759</u>	<u>\$ 6,326,274</u>	<u>\$ 17,866,033</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

4. Long-Term Debt

General Obligation Bonds (Continued)

During the year, the HRA-EDA authorized the issuance of Taxable Housing Revenue Bonds, Series 2008, in the amount of \$300,000. As of year-end, no amount had been issued.

Notes Payable

In 2006, the HRA-EDA entered into an interest-only loan with Chisago County. The note payable outstanding as of December 31, 2008, is as follows:

Description	Authorized and Issued	Interest Rate (%)	Issue Date	Maturity Date	Ending Balance
Chisago County Promissory Note	\$ 1,000,000	6.75	11/28/2006	01/01/2017	<u>\$ 1,000,000</u>

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

Year Ending December 31	Notes Payable Business-Type Activities		
	Principal	Interest	Total
2009	\$ -	\$ 67,500	\$ 67,500
2010	-	67,500	67,500
2011	-	67,500	67,500
2012	-	67,500	67,500
2013	-	67,500	67,500
2014 - 2018	<u>1,000,000</u>	<u>270,000</u>	<u>1,270,000</u>
Total	<u>\$ 1,000,000</u>	<u>\$ 607,500</u>	<u>\$ 1,607,500</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

4. Long-Term Debt (Continued)

Mortgages Payable

In 2007, the HRA-EDA assumed three mortgages through the acquisition of Rush Estates I and Rush Estates II, payable to the United States Department of Agriculture, Rural Development. Principal and interest payments are determined based on the rental income and government subsidy received during the year. Information on the mortgages as of December 31, 2008, is as follows:

Description	Authorized and Issued	Interest Rate (%)	Issue Date	Maturity Date	Ending Balance
United States Department of Agriculture, Rural Development Mortgage 01	\$ 205,801	7.125	07/07/2000	07/07/2030	\$ 184,478
Mortgage 02	45,896	3.000	03/05/2068	03/05/2018	27,129
Mortgage 03	382,434	7.250	06/30/2093	06/30/2043	360,990
 Total Mortgages Payable					 <u>\$ 572,597</u>

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

Year Ending December 31	Mortgages Payable Business-Type Activities		
	Principal	Interest	Total
2009	\$ 8,700	\$ 39,894	\$ 48,594
2010	9,295	39,358	48,653
2011	9,867	38,785	48,652
2012	10,479	38,173	48,652
2013	11,133	37,520	48,653
2014 - 2018	64,602	176,142	240,744
2019 - 2023	73,212	153,238	226,450
2024 - 2028	104,693	121,756	226,449
2029 - 2033	85,106	84,092	169,198
2034 - 2038	86,208	56,433	142,641
2039 - 2043	109,302	19,111	128,413
 Total	 <u>\$ 572,597</u>	 <u>\$ 804,502</u>	 <u>\$ 1,377,099</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on all Funds

4. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 13,651,222	\$ -	\$ 2,111,463	\$ 11,539,759	\$ 254,510
Notes payable	1,000,000	-	-	1,000,000	-
Mortgages payable	581,921	-	9,324	572,597	8,700
Compensated absences	29,233	19,426	13,142	35,517	17,759
Less: discount	(257,107)	-	(10,391)	(246,716)	(10,392)
Total	<u>\$ 15,005,269</u>	<u>\$ 19,426</u>	<u>\$ 2,123,538</u>	<u>\$ 12,901,157</u>	<u>\$ 270,577</u>

C. Other Information

Risk Management

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

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

Retirement Plan

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

C. Other Information

Retirement Plan (Continued)

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

Total payroll for employees covered by the Plan for the year ended December 31, 2008, was \$122,038. The HRA-EDA made contributions into the Plan of \$6,102, \$5,873, and \$5,590 for the years ended December 31, 2008, 2007, and 2006, respectively.

As of December 31, 2008, the Plan held no securities issued by the HRA-EDA or other related parties.

Commitments and Contingencies - Joint Agreements

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

Related Parties

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

C. Other Information

Related Parties (Continued)

The HRA-EDA has partnered with the City of Rush City to develop and sell senior townhomes within the City. James Ertz, former Board Chair, and Mayor of Rush City, has an interest in Knutson Real Estates, who is selling the townhomes. He abstained from voting on all actions related to the sale of the townhomes. Mr. Ertz resigned from the HRA-EDA Board effective July 2008.

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

REQUIRED SUPPLEMENTARY INFORMATION

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 1

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2008

Other Postemployment Benefits Funding Status

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

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

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

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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

Missing Heirs - to account for all funds held by the County for unclaimed legacies.

Capital Projects Fund

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>County Building</u>	<u>Parks</u>	<u>Ditch</u>
<u>Assets</u>			
Cash and pooled investments	\$ 232,305	\$ 626,566	\$ 115,452
Undistributed cash in agency funds	2,189	-	152
Taxes receivable			
Prior	8,876	-	-
Special assessments receivable			
Prior	-	-	525
Noncurrent	-	-	-
Due from other governments	-	-	-
Total Assets	<u>\$ 243,370</u>	<u>\$ 626,566</u>	<u>\$ 116,129</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Salaries payable	-	-	-
Due to other funds	-	-	-
Due to other governments	-	-	-
Deferred revenue - unavailable	7,187	-	525
Deferred revenue - unearned	-	-	-
Total Liabilities	<u>\$ 7,187</u>	<u>\$ -</u>	<u>\$ 525</u>
Fund Balances			
Unreserved			
Designated for subsequent year's expenditures	\$ 230,000	\$ 620,000	\$ 115,000
Designated for cash flows	-	-	-
Undesignated	6,183	6,566	604
Total Fund Balances	<u>\$ 236,183</u>	<u>\$ 626,566</u>	<u>\$ 115,604</u>
Total Liabilities and Fund Balances	<u>\$ 243,370</u>	<u>\$ 626,566</u>	<u>\$ 116,129</u>

Statement 1

<u>Special Revenue Funds</u>					
<u>Lake Improvement District</u>	<u>Nursing Home</u>	<u>Solid Waste</u>	<u>Capital Equipment</u>	<u>Forfeited Tax Sale</u>	<u>Total</u>
\$ 747,258	\$ 55,923	\$ 995,491	\$ 2,340,525	\$ 7,091	\$ 5,120,611
2,065	-	5,052	19,227	-	28,685
7,960	-	-	82,618	-	99,454
-	-	27,990	-	-	28,515
15,925	-	-	-	-	15,925
-	-	18,451	-	-	18,451
<u>\$ 773,208</u>	<u>\$ 55,923</u>	<u>\$ 1,046,984</u>	<u>\$ 2,442,370</u>	<u>\$ 7,091</u>	<u>\$ 5,311,641</u>
\$ 13,171	\$ -	\$ 28,175	\$ 16,014	\$ -	\$ 57,360
108	-	6,974	-	-	7,082
-	-	-	-	356	356
8	-	957	-	1,355	2,320
6,364	-	27,991	67,761	-	109,828
15,925	-	-	-	-	15,925
<u>\$ 35,576</u>	<u>\$ -</u>	<u>\$ 64,097</u>	<u>\$ 83,775</u>	<u>\$ 1,711</u>	<u>\$ 192,871</u>
\$ 737,632	\$ 55,923	\$ 982,887	\$ 1,142,835	\$ -	\$ 3,884,277
-	-	-	1,100,000	-	1,100,000
-	-	-	115,760	5,380	134,493
<u>\$ 737,632</u>	<u>\$ 55,923</u>	<u>\$ 982,887</u>	<u>\$ 2,358,595</u>	<u>\$ 5,380</u>	<u>\$ 5,118,770</u>
<u>\$ 773,208</u>	<u>\$ 55,923</u>	<u>\$ 1,046,984</u>	<u>\$ 2,442,370</u>	<u>\$ 7,091</u>	<u>\$ 5,311,641</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>County Building</u>	<u>Parks</u>	<u>Ditch</u>	<u>Special Lake Improvement District</u>
Revenues				
Taxes	\$ 161,970	\$ -	\$ -	\$ 238,052
Special assessments	-	-	9,332	-
Licenses and permits	-	-	-	-
Intergovernmental	9,882	-	-	11,423
Charges for services	16,793	38,400	-	-
Miscellaneous	-	-	-	866
Total Revenues	\$ 188,645	\$ 38,400	\$ 9,332	\$ 250,341
Expenditures				
Current				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Culture and recreation	-	112,141	-	-
Conservation of natural resources	-	-	-	264,717
Capital outlay	134,662	29,519	-	-
Total Expenditures	\$ 134,662	\$ 141,660	\$ -	\$ 264,717
Excess of Revenues Over (Under) Expenditures	\$ 53,983	\$ (103,260)	\$ 9,332	\$ (14,376)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(83,133)	-	-	-
Total Other Financing Sources (Uses)	\$ (83,133)	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ (29,150)	\$ (103,260)	\$ 9,332	\$ (14,376)
Fund Balance - January 1	265,333	729,826	106,272	752,008
Fund Balance - December 31	\$ 236,183	\$ 626,566	\$ 115,604	\$ 737,632

Statement 2

Revenue Funds					
Nursing Home	Solid Waste	Capital Equipment	Forfeited Tax Sale	Library Capital Projects Fund	Total
\$ -	\$ -	\$ 1,390,762	\$ 2,241	\$ -	\$ 1,793,025
-	246,753	-	-	-	256,085
-	5,880	-	-	-	5,880
-	224,947	127,214	-	-	373,466
-	30,544	223,448	-	-	309,185
-	28,000	-	-	50,160	79,026
\$ -	\$ 536,124	\$ 1,741,424	\$ 2,241	\$ 50,160	\$ 2,816,667
\$ -	\$ -	\$ -	\$ 2,241	\$ -	\$ 2,241
-	421,040	-	-	-	421,040
-	-	-	-	-	112,141
-	-	-	-	-	264,717
-	-	1,714,137	-	48,555	1,926,873
\$ -	\$ 421,040	\$ 1,714,137	\$ 2,241	\$ 48,555	\$ 2,727,012
\$ -	\$ 115,084	\$ 27,287	\$ -	\$ 1,605	\$ 89,655
\$ -	\$ -	\$ 1,020,505	\$ -	\$ -	\$ 1,020,505
-	(95,000)	(1,317,608)	-	-	(1,495,741)
\$ -	\$ (95,000)	\$ (297,103)	\$ -	\$ -	\$ (475,236)
\$ -	\$ 20,084	\$ (269,816)	\$ -	\$ 1,605	\$ (385,581)
55,923	962,803	2,628,411	5,380	(1,605)	5,504,351
\$ 55,923	\$ 982,887	\$ 2,358,595	\$ 5,380	\$ -	\$ 5,118,770

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 171,500	\$ 171,500	\$ 161,970	\$ (9,530)
Intergovernmental	-	-	9,882	9,882
Charges for services	-	-	16,793	16,793
Total Revenues	\$ 171,500	\$ 171,500	\$ 188,645	\$ 17,145
Expenditures				
Capital outlay				
General government	\$ 80,000	\$ 80,000	\$ 100,700	\$ (20,700)
Public safety	-	-	9,952	(9,952)
Highways and streets	-	-	24,010	(24,010)
Total Expenditures	\$ 80,000	\$ 80,000	\$ 134,662	\$ (54,662)
Excess of Revenues Over (Under) Expenditures	\$ 91,500	\$ 91,500	\$ 53,983	\$ (37,517)
Other Financing Sources (Uses)				
Transfers out	(91,500)	(91,500)	(83,133)	8,367
Net Change in Fund Balance	\$ -	\$ -	\$ (29,150)	\$ (29,150)
Fund Balance - January 1	265,333	265,333	265,333	-
Fund Balance - December 31	\$ 265,333	\$ 265,333	\$ 236,183	\$ (29,150)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 150,000	\$ 150,000	\$ 38,400	\$ (111,600)
Expenditures				
Current				
Culture and recreation				
Parks	\$ 150,000	\$ 150,000	\$ 112,141	\$ 37,859
Capital outlay				
Culture and recreation	-	-	29,519	(29,519)
Total Expenditures	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 141,660</u>	<u>\$ 8,340</u>
Net Change in Fund Balance	\$ -	\$ -	\$ (103,260)	\$ (103,260)
Fund Balance - January 1	<u>729,826</u>	<u>729,826</u>	<u>729,826</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 729,826</u></u>	<u><u>\$ 729,826</u></u>	<u><u>\$ 626,566</u></u>	<u><u>\$ (103,260)</u></u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 8,000	\$ 8,000	\$ 9,332	\$ 1,332
Expenditures				
Current				
Conservation of natural resources				
Ditch	8,000	8,000	-	8,000
Net Change in Fund Balance	\$ -	\$ -	\$ 9,332	\$ 9,332
Fund Balance - January 1	106,272	106,272	106,272	-
Fund Balance - December 31	\$ 106,272	\$ 106,272	\$ 115,604	\$ 9,332

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
LAKE IMPROVEMENT DISTRICT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 250,000	\$ 250,000	\$ 238,052	\$ (11,948)
Intergovernmental	-	-	11,423	11,423
Miscellaneous	-	-	866	866
Total Revenues	\$ 250,000	\$ 250,000	\$ 250,341	\$ 341
Expenditures				
Current				
Conservation of natural resources				
Lake Improvement District	250,000	250,000	264,717	(14,717)
Net Change in Fund Balance	\$ -	\$ -	\$ (14,376)	\$ (14,376)
Fund Balance - January 1	752,008	752,008	752,008	-
Fund Balance - December 31	\$ 752,008	\$ 752,008	\$ 737,632	\$ (14,376)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 220,000	\$ 220,000	\$ 246,753	\$ 26,753
Licenses and permits	4,000	4,000	5,880	1,880
Intergovernmental	132,000	132,000	224,947	92,947
Charges for services	12,000	12,000	30,544	18,544
Miscellaneous	-	-	28,000	28,000
Total Revenues	\$ 368,000	\$ 368,000	\$ 536,124	\$ 168,124
Expenditures				
Current				
Sanitation				
Recycling	\$ 153,260	\$ 153,260	\$ 173,093	\$ (19,833)
Hazardous waste	170,979	170,979	169,218	1,761
Other	5,000	5,000	78,729	(73,729)
Total Expenditures	\$ 329,239	\$ 329,239	\$ 421,040	\$ (91,801)
Excess of Revenues Over (Under) Expenditures	\$ 38,761	\$ 38,761	\$ 115,084	\$ 76,323
Other Financing Sources (Uses)				
Transfers out	(53,000)	(53,000)	(95,000)	(42,000)
Net Change in Fund Balance	\$ (14,239)	\$ (14,239)	\$ 20,084	\$ 34,323
Fund Balance - January 1	962,803	962,803	962,803	-
Fund Balance - December 31	\$ 948,564	\$ 948,564	\$ 982,887	\$ 34,323

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,467,066	\$ 1,467,066	\$ 1,390,762	\$ (76,304)
Intergovernmental	-	-	127,214	127,214
Charges for services	-	-	223,448	223,448
Total Revenues	<u>\$ 1,467,066</u>	<u>\$ 1,467,066</u>	<u>\$ 1,741,424</u>	<u>\$ 274,358</u>
Expenditures				
Capital outlay				
General government	\$ 530,000	\$ 2,036,525	\$ 1,035,197	\$ 1,001,328
Public safety	276,000	306,575	313,181	(6,606)
Highways and streets	439,000	519,400	306,119	213,281
Culture and recreation	10,000	10,000	6,418	3,582
Economic development	-	-	53,222	(53,222)
Total Expenditures	<u>\$ 1,255,000</u>	<u>\$ 2,872,500</u>	<u>\$ 1,714,137</u>	<u>\$ 1,158,363</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 212,066</u>	<u>\$ (1,405,434)</u>	<u>\$ 27,287</u>	<u>\$ 1,432,721</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 1,020,505	\$ 1,020,505
Transfers out	(212,066)	(212,066)	(1,317,608)	(1,105,542)
Total Other Financing Sources (Uses)	<u>\$ (212,066)</u>	<u>\$ (212,066)</u>	<u>\$ (297,103)</u>	<u>\$ (85,037)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (1,617,500)</u>	<u>\$ (269,816)</u>	<u>\$ 1,347,684</u>
Fund Balance - January 1	<u>2,628,411</u>	<u>2,628,411</u>	<u>2,628,411</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 2,628,411</u></u>	<u><u>\$ 1,010,911</u></u>	<u><u>\$ 2,358,595</u></u>	<u><u>\$ 1,347,684</u></u>

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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

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

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

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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>EMPLOYEE RECOGNITION</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,452	\$ 1,226	\$ 1,282	\$ 2,396
<u>Liabilities</u>				
Accounts payable	\$ 2,452	\$ 1,226	\$ 1,282	\$ 2,396
 <u>FLEXIBLE BENEFITS PLAN</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 44,532	\$ 189,173	\$ 196,245	\$ 37,460
<u>Liabilities</u>				
Deferred benefits	\$ 44,532	\$ 189,173	\$ 196,245	\$ 37,460
 <u>REGION 7E</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 79,016	\$ 79,016	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 79,016	\$ 79,016	\$ -

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

***Statement 3
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 15,630,807	\$ 15,630,807	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 15,630,807	\$ 15,630,807	\$ -
<u>TAX AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 476,761	\$ 69,949,308	\$ 69,828,103	\$ 597,966
<u>Liabilities</u>				
Unapportioned taxes	\$ -	\$ 437,170	\$ 437,170	\$ -
Unapportioned special assessments	-	5,204	5,204	-
Due to other governments	476,761	69,506,934	69,385,729	597,966
Total Liabilities	\$ 476,761	\$ 69,949,308	\$ 69,828,103	\$ 597,966
<u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 22,992,071	\$ 22,992,071	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 22,992,071	\$ 22,992,071	\$ -

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 291,350	\$ 2,099,761	\$ 2,096,496	\$ 294,615
<u>Liabilities</u>				
Unapportioned taxes	\$ -	\$ 25,994	\$ 25,994	\$ -
Due to other governments	291,350	2,073,767	2,070,502	294,615
Total Liabilities	\$ 291,350	\$ 2,099,761	\$ 2,096,496	\$ 294,615
 <u>LOCAL COLLABORATIVES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 230,496	\$ 104,029	\$ 239,720	\$ 94,805
<u>Liabilities</u>				
Due to other governments	\$ 230,496	\$ 104,029	\$ 239,720	\$ 94,805

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,045,591	\$ 111,045,391	\$ 111,063,740	\$ 1,027,242
<u>Liabilities</u>				
Accounts payable	\$ 2,452	\$ 1,226	\$ 1,282	\$ 2,396
Unapportioned taxes	-	463,164	463,164	-
Unapportioned special assessments	-	5,204	5,204	-
Deferred benefits	44,532	189,173	196,245	37,460
Due to other governments	998,607	110,386,624	110,397,845	987,386
Total Liabilities	\$ 1,045,591	\$ 111,045,391	\$ 111,063,740	\$ 1,027,242

SUPPORTING SCHEDULES

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 8

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

	Taxes Payable in Year					
	2007		2008		2009	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 50,719,836		\$ 54,952,451		\$ 54,984,566	
Personal property	913,744		907,223		789,043	
Total Tax Capacity	\$ 51,633,580		\$ 55,859,674		\$ 55,773,609	
Taxes Levied for County Purposes						
County Revenue	\$ 11,690,693	23.205	\$ 13,295,124	24.233	\$ 13,277,177	24.282
Road and Bridge	4,936,025	9.798	5,100,576	9.297	5,739,650	10.497
Road and Bridge Bonds	865,203	1.710	2,406,130	4.366	2,979,229	5.423
Human Services	6,030,000	11.969	6,331,500	11.540	6,578,428	12.031
Building Repair	80,000	0.159	80,000	0.146	80,000	0.146
Building Repair Bonds	91,700	0.181	91,500	0.166	91,600	0.167
Regional Library*	516,653	1.042	571,797	1.058	575,000	1.068
Library Bonds	536,200	1.081	536,713	0.993	531,813	0.988
Capital Equipment	1,500,000	2.977	1,255,000	2.288	1,255,000	2.295
Capital Equipment Notes	202,368	0.400	212,066	0.385	212,100	0.386
Highway Building Bonds	802,000	1.592	-	0.000	-	0.000
Health & Human Services Building Bonds	-	0.000	93,019	0.169	97,670	0.178
Total Levy for County Purposes	\$ 27,250,842	54.114	\$ 29,973,425	54.641	\$ 31,417,667	57.461
Less Credits Payable by State	1,524,783		1,536,002		1,574,685	
Net Levy for County Purposes	\$ 25,726,059		\$ 28,437,423		\$ 29,842,982	
Market Value - Light and Power						
Transmission lines	\$ 4,999,000		\$ 4,625,800		\$ 4,535,200	
Distribution lines	1,069,600		989,600		970,200	
Total Market Value - Light and Power	\$ 6,068,600		\$ 5,615,400		\$ 5,505,400	
Tax Capacity - Light and Power						
Transmission lines	\$ 99,980		\$ 92,516		\$ 90,704	
Distribution lines	21,392		19,792		19,404	
Total Tax Capacity - Light and Power	\$ 121,372		\$ 112,308		\$ 110,108	

*Levy applies to selected areas only.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 8
(Continued)

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

	Taxes Payable in Year					
	2007		2008		2009	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)						
Transmission lines - market value	\$ 3,802	0.07605	\$ 3,512	0.07590	\$ 3,509	0.07738
Distribution lines - market value	813	0.07605	751	0.07590	751	0.07738
Transmission lines - tax capacity	112,052	112.0740	100,759	108.910	104,129	114.799
Distribution lines - tax capacity	<u>23,974</u>	112.0740	<u>21,555</u>	108.910	<u>22,276</u>	114.799
Total Light and Power Tax Levies	<u>\$ 140,641</u>		<u>\$ 126,577</u>		<u>\$ 130,665</u>	
Special Assessments						
Ditch liens, fees, and assessments	<u>\$ 353,112</u>		<u>\$ 224,260</u>		<u>\$ 259,473</u>	
Percentage of Tax Collections for All Purposes	96.70%		96.47%			

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2008**

	<u>Assets</u>			<u>Total</u>
	<u>Cash</u>	<u>Special Assessments Receivable</u>		
		<u>Unapportioned</u>	<u>Delinquent</u>	
Judicial Ditch				
2	\$ (33)	\$ -	\$ -	\$ (33)
County Ditches				
1	(395)	-	-	(395)
2	8,195	1	13	8,209
3	3,006	2	32	3,040
4	3,049	-	-	3,049
5	32,938	-	-	32,938
6	11,105	15	12	11,132
7	24,812	19	18	24,849
8	1,543	84	-	1,627
9	3,871	20	400	4,291
10	22,143	4	33	22,180
11	(59)	-	-	(59)
14	5,277	7	17	5,301
Total	<u>\$ 115,452</u>	<u>\$ 152</u>	<u>\$ 525</u>	<u>\$ 116,129</u>

Schedule 9

<u>Liabilities</u> <u>Deferred</u> <u>Revenue</u>	<u>Fund Balances</u>			<u>Total</u> <u>Liabilities and</u> <u>Fund Balances</u>
	<u>Designated</u>	<u>Undesignated</u>	<u>Total</u>	
\$ -	\$ -	\$ (33)	\$ (33)	\$ (33)
-	-	(395)	(395)	(395)
13	8,096	100	8,196	8,209
32	2,999	9	3,008	3,040
-	3,006	43	3,049	3,049
-	32,863	75	32,938	32,938
12	10,977	143	11,120	11,132
18	24,505	326	24,831	24,849
-	1,604	23	1,627	1,627
400	3,851	40	3,891	4,291
33	21,873	274	22,147	22,180
-	-	(59)	(59)	(59)
17	5,226	58	5,284	5,301
<u>\$ 525</u>	<u>\$ 115,000</u>	<u>\$ 604</u>	<u>\$ 115,604</u>	<u>\$ 116,129</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 10

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Shared Revenue

State

Highway users tax	\$	4,634,409
Market value credit		1,558,657
Market value credit - mobile home		30,196
PERA rate reimbursement		48,855
Disparity reduction aid		3,929
County program aid		1,344,689
Police aid		269,839
E-911		146,300
		<hr/>

Total Shared Revenue **\$ 8,036,874**

Reimbursement for Services

State

Minnesota Department of Trial Courts	\$	132,649
Minnesota Department of Human Services		1,152,900
		<hr/>

Total Reimbursement for Services **\$ 1,285,549**

Payments

Local

Payments in lieu of taxes	\$	588,147
		<hr/>

Grants

State

Minnesota Department of		
Agriculture	\$	180,000
Corrections		301,154
Public Safety		50,799
Transportation		194,920
Health		585,958
Natural Resources		54,635
Human Services		2,415,110
Soil and Water Resources Board		192,978
Peace Officer Standards and Training Board		15,220
Office of Environmental Assistance		123,561
Pollution Control Agency		130,878
		<hr/>

Total State **\$ 4,245,213**

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**Schedule 10
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Grants (Continued)

Federal

Department of Agriculture	\$ 458,466
Justice	50,303
Transportation	4,354,054
Health and Human Services	2,810,376
Homeland Security	29,095

Total Federal **\$ 7,702,294**

Total State and Federal Grants **\$ 11,947,507**

Total Intergovernmental Revenue **\$ 21,858,077**

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 11

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Chisago County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Chisago County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Chisago County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Chisago County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- | | |
|--|--------------|
| Temporary Assistance for Needy Families (TANF) | CFDA #93.558 |
| Child Support Enforcement Title IV-D | CFDA #93.563 |
| Medical Assistance Program | CFDA #93.778 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Chisago County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-3 Segregation of Duties

Due to the limited number of office personnel within various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. We noted insufficient segregation of duties in the following offices/departments: County Auditor, County Treasurer, County Sheriff, County Recorder, Highway Engineer, Environmental Services, Health and Human Services, Payroll, and Capital Assets. This is not unusual in operations the size of Chisago County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Client's Response:

We are aware of this concern, and each office has taken care in their operations. Limited staffing makes total compliance not practical.

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

Recommendations were made to the operating procedures and related documentation practices of the Social Services Division. Our follow-up on these recommendations found one item remaining. We noted that there was not a specific process for creating new vendors in the accounting system. It appeared several Social Services staff had the ability to create new vendors without supervisory oversight. We recommended a policy be established to provide accountability for creating new vendors. Our follow-up this year found no change in this condition.

We again recommend that management of the Health and Human Services Department take steps to create accountability for those staff involved in creating new vendors.

Client's Response:

Chisago County Health and Human Services (HHS) Income Maintenance file reviews on all Food Support cases started in February 2008, using a peer review methodology accompanied by follow-up supervisory reviews. In addition, random cases, in all Income Maintenance programs, were reviewed by a supervisor. The procedure for Income Maintenance file reviews was finalized with full implementation in 2009.

Chisago County Health and Human Services as part of its contracting process sees all current and new vendors in person for establishment of a county contract. While Health and Human Services has a vendor establishment process, specifically, accounting personnel will check each new vendor request for vendor presence, either through a phone call, meeting the vendor in person, or by accepting the signed statement from a program supervisor that the vendor being established is a true, legitimate vendor and does exist in the capacity of vendor. HHS does not record these vendor contacts in the IFS system, and instead maintains a paper document related to vendor establishment. Added to that document will be notation of new vendor contact, through what means this contact was achieved, inclusive of date, time, name, and position of person that verified the presence of the vendor. This procedure will be reviewed and refined.

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

Recommendations were made to the operating procedures and related documentation practices of the Income Maintenance Division. Our follow-up on these recommendations found the first item has been resolved and the second is being repeated.

- Procedures were not in place to ensure that case files receive a supervisory review on a regular basis. At the time of our review, we were informed that few case files had been reviewed recently. Our follow-up this year found policies and procedures were put into place for the regular review of case files.
- We found that no documentation was maintained on vendors created in the County's IFS to verify their legitimacy for providing goods and services to the Health and Human Services Department. Our follow-up this year found no change in the condition. We again recommend that new vendors be verified and that documentation of this process be maintained.

We recommend that the Health and Human Services Department review the aforementioned matters and take corrective action, as deemed appropriate.

Client's Response:

Procedures will be in place to ensure that case files receive a supervisory review on a regular basis.

Documentation will be maintained on vendors created in the County's IFS to verify their legitimacy for providing goods and services to the Health and Human Services Department.

07-1 Assessing and Monitoring Internal Controls

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

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

Client's Response:

The County Auditor's Office is aware of the need to implement and document procedures for internal controls of the accounting system. It is our intent to do so; however, we again request assistance from the State Auditor's Office.

PREVIOUSLY REPORTED ITEM RESOLVED

Payroll-Related Matters (06-2)

No reconciliation was performed between amounts withdrawn from the County's bank account and the actual amount invoiced for health insurance premiums. We could not account for \$180,000 withdrawn from the County's bank account by Blue Cross Blue Shield.

During our 2007 audit, we found that the County had suspended payments to Medica as of June 27, 2008, until the health insurance payments could be reconciled. The County owed Medica \$988,322 as of September 1, 2008.

Our review of the health insurance claims found that invoices are not attached to the claim form when payment is requested from the County Auditor's Office.

Checks written to Medica are given to the Human Resources Director to mail after they are signed in the County Treasurer's Office.

Resolution

County staff started completing the reconciliations between the amounts withdrawn and the actual amounts invoiced during late 2008. The \$180,000 withdrawn by Blue Cross Blue Shield was returned to the County after it was determined the funds were drawn from the wrong account.

During the 2008 audit, we found the payments were made to Medica, and the County is current on its health insurance payments.

Our review of the health insurance claims found that invoices are now being attached to the claim form when payment is requested from the County Auditor's Office.

Checks for health insurance claims are now mailed by the County Treasurer's Office.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

08-1 Contracts

Minnesota Statute § 471.425, subd. 4a, requires contracts between the County and a prime contractor to state that the prime contractor must pay subcontractors within ten days of receipt of payment from the County or pay interest at the rate of one and one-half percent per month or any part of a month. The County does not have this wording in its contracts. The County's bid specifications state the contractor must follow the Minnesota Department of Transportation's Standard Specifications for Construction. Within this manual, section 1701 states the contractor shall at all times observe and comply with all applicable laws, ordinances, regulations, orders, and decrees. This statute is not specifically mentioned.

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

Client's Response:

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



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Board of County Commissioners
Chisago County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority (HRA-EDA), the discretely presented component unit, as described in our report on Chisago County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-3, 05-3, 06-1, and 07-1 to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 30, 2009

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Board of County Commissioners
Chisago County

Compliance

We have audited the compliance of Chisago County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Chisago County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Chisago County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Chisago County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Chisago County's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2009. We did not audit the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority (HRA-EDA) discretely presented

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 30, 2009

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 12

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Direct		
Solid Waste Management Grants	10.762	\$ 80,508
Passed Through Minnesota Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	142,853
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Special Nutrition Assistance Program	10.561	235,105
Total U.S. Department of Agriculture		\$ 458,466
U.S. Department of Justice		
Direct		
Bulletproof Vest Partnership Program	16.607	\$ 2,852
Passed Through Minnesota Department of Public Safety		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	47,451
Total U.S. Department of Justice		\$ 50,303
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	\$ 2,713,444
Passed Through Isanti County		
Formula Grants for Other Than Urbanized Areas	20.509	193,747
Total U.S. Department of Transportation		\$ 2,907,191
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	\$ 88,328
Temporary Assistance for Needy Families (TANF)	93.558	481,546
Child Support Enforcement Title IV-D	93.563	998,560
Refugee and Entrant Assistance Grant	93.566	652
Child Care Cluster		
Child Care and Development Block Grant	93.575	9,766
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	12,587
Foster Care Title IV-E	93.658	84,227
Social Services Block Grant Title XX	93.667	242,623
Child Abuse and Neglect State Grants	93.669	1,177

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**Schedule 12
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services (Continued)		
Chafee Foster Care Independence Program	93.674	12,098
State Children's Insurance Program	93.767	831
Medical Assistance Program	93.778	728,904
Community Mental Health Services Block Grant	93.958	19,766
Passed Through Minnesota Department of Health		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	89,629
Maternal and Child Health Services Block Grant	93.994	39,682
Total U.S. Department of Health and Human Services		\$ 2,810,376
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Homeland Security Grant Program	97.067	29,095
Total Federal Awards		\$ 6,255,431

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Chisago County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. Due to timing differences in revenue recognition under the modified accrual basis, expenditures on this schedule may not equal federal revenues reported in the financial statements. In 2008, \$1,446,863 of prior year federal expenditures were recognized as revenues in the financial statements because they were not received within the period of availability.
4. Chisago County did not pass any federal money to subrecipients.
5. Pass-through grant numbers were not assigned by the pass-through agencies.