

# **STATE OF MINNESOTA**

## **Office of the State Auditor**



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

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

**YEAR ENDED DECEMBER 31, 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.

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Year Ended December 31, 2008**



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

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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ST. CLOUD, MINNESOTA**

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**ORGANIZATION SCHEDULE  
2008**

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	DeWayne Mareck*	March 2006	January 2009
2nd District	Mark Sakry	January 2003	January 2011
3rd District	Vince Schaefer	January 2003	January 2011
4th District	Leigh Lenzmeier	January 2005	January 2009
5th District	Don Otte	January 2003	January 2011
Officers			
Elected			
Attorney	Janelle Kendall	January 2003	January 2011
Auditor-Treasurer	Randy Schreifels	January 2003	January 2011
County Recorder/Registrar of Titles	Diane Grundhoefer	January 2003	January 2011
Sheriff	John Sanner	January 2003	January 2011
Appointed			
Administrator	George Rindelaub		Indefinite
Agriculture Inspector	John Waldorf		Indefinite
Assessor	Gary Grossinger	January 2005	December 2009
Emergency Management	Marvin Klug		Indefinite
Extension	Debbie Botzek-Linn		Indefinite
Facilities Manager	Ralph Braegelmann		Indefinite
Highway Engineer	Mitch Anderson	May 2008	May 2012
Human Resources	Jennifer Thorsten		Indefinite
Medical Examiner	Dr. David Frederickson	January 2008	January 2009
Information Services	George McClure		Indefinite
Parks	Charles Wocken		Indefinite
Environmental Service	Don Adams		Indefinite
Purchasing	Bill Davison		Indefinite
Veterans Service Officer	Terry Ferdinandt	May 2008	May 2012
Human Services Director	Roma Steil		Indefinite

\*Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Stearns County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stearns County, Minnesota, as of and for the year ended December 31, 2008, including the Housing and Redevelopment Authority (HRA) of Stearns County as of and for the year ended June 30, 2008, which collectively comprise Stearns County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Stearns County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the HRA of Stearns County, the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the HRA of Stearns County, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stearns County as of

December 31, 2008, including the HRA of Stearns County as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3.E. to the financial statements, during the year ended December 31, 2008, Stearns County adopted 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 the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2009, on our consideration of Stearns County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the HRA of Stearns County, which was audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO  
STATE AUDITOR

December 17, 2009

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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

This section of Stearns County's annual financial report presents an overview and analysis of the County's financial performance during the fiscal year that ended on December 31, 2008.

**FINANCIAL HIGHLIGHTS**

- The assets of Stearns County exceeded its liabilities by \$249,601,886 (net assets). Of this amount, \$34,250,015 represents unrestricted net assets that may be used to meet the County's ongoing obligations to citizens and creditors. The unrestricted net assets increased by \$9,751,658 (39.8 percent) compared to December 31, 2007.
- The County's total net assets increased by \$12,260,374, or about 5.2 percent, over the prior year.
- As of the close of the fiscal year, Stearns County's governmental funds reported combined ending fund balances of \$58,052,711. Of this amount, \$55,047,601, or approximately 94.8 percent, is available for spending at the County's discretion.
- At the end of the year, unreserved fund balance for the General Fund was \$18,623,741. This is approximately 43.6 percent of total General Fund expenditures during the year and an increase of \$1,265,970 over the fund's 2007 unreserved fund balance. At the end of 2007, the General Fund's unreserved fund balance was approximately 43.8 percent of total expenditures.
- Total bonded debt at the end of the year was \$29,576,421, net of premiums and discounts. In 2008, the County issued \$16,253,702 in bonds and paid \$7,225,000 of bond principal, increasing bonded debt by 44.4 percent.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

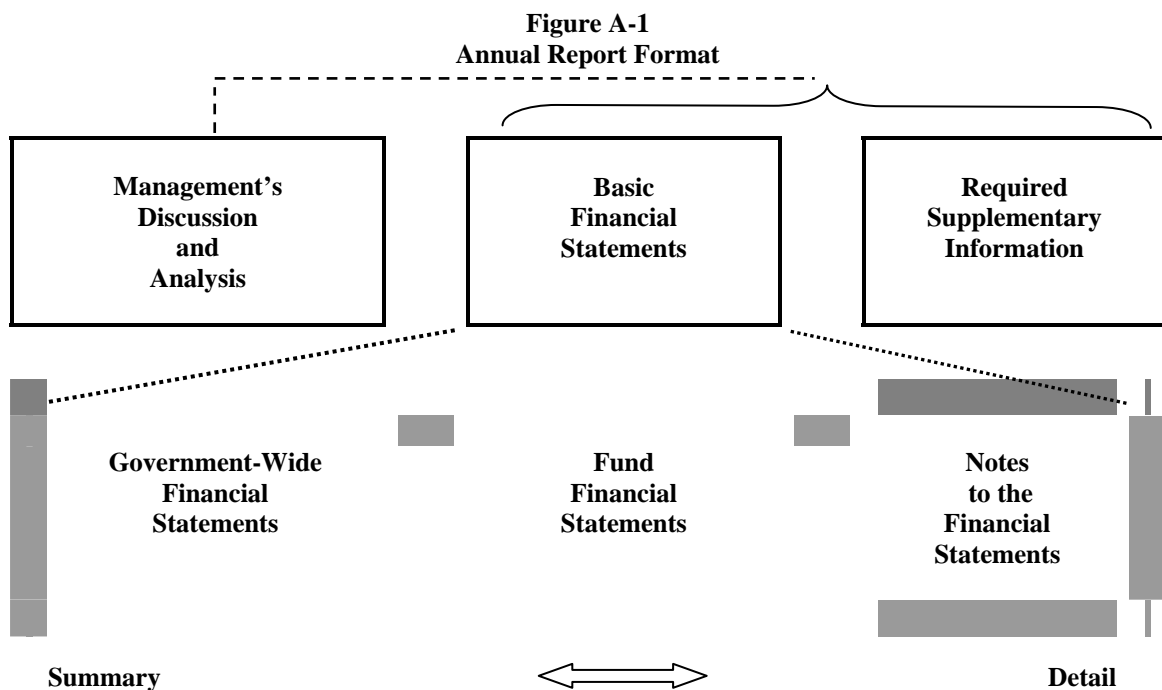


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and content of each of the statements.

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

### County-Wide Statements

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

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

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

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

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

### **Fund Financial Statements**

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

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

The County has three kinds of funds:

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

- Proprietary funds - The County maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Stearns County uses an enterprise fund to account for its Septic Loan Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among Stearns County's various functions. Stearns County uses an internal service fund to account for its information services improvements. These services benefit governmental functions and have been allocated to governmental activities in the government-wide financial statements.
- Fiduciary funds - The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the county-wide financial statements because the County cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

### Net Assets

The County's net assets were \$249,601,886 on December 31, 2008. (See Table A-1.)

Table A-1 Net Assets			
	2008	2007	Percent (%) Change
Assets			
Current and other assets	\$ 72,761,870	\$ 58,267,720	24.9
Capital assets	222,993,601	214,260,801	4.1
Total Assets	\$ 295,755,471	\$ 272,528,521	8.5
Liabilities			
Current liabilities	\$ 9,215,563	\$ 8,529,125	8.0
Long-term liabilities	36,938,022	26,657,884	38.6
Total Liabilities	\$ 46,153,585	\$ 35,187,009	31.2
Net Assets			
Invested in capital assets, net of related debt	\$ 212,822,643	\$ 204,079,975	4.3
Restricted	2,529,228	8,763,180	(71.1)
Unrestricted	34,250,015	24,498,357	39.8
Total Net Assets	\$ 249,601,886	\$ 237,341,512	5.2

## Changes in Net Assets

The county-wide total revenues were \$115,266,704 for the year ended December 31, 2008. Property taxes and intergovernmental revenues accounted for 90.0 percent of total revenue for the year. (See Figure A-2.)

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

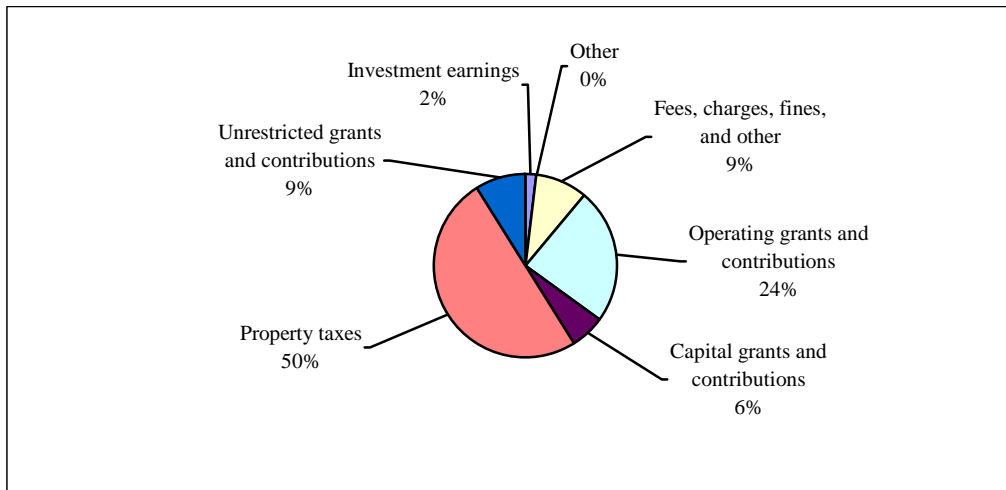
	2008	2007	Percent (%) Change
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 9,733,142	\$ 9,619,326	1.2
Operating grants and contributions	27,701,710	27,154,167	2.0
Capital grants and contributions	7,416,086	13,236,687	(44.0)
General revenues			
Property taxes	57,493,101	52,100,657	10.4
Unrestricted grants and contributions	10,591,336	11,440,168	(7.4)
Unrestricted investment earnings	2,158,480	3,037,599	(28.9)
Other	172,849	189,786	(8.9)
Total Revenues	<u>\$ 115,266,704</u>	<u>\$ 116,778,390</u>	(1.3)
Expenses			
General government	\$ 18,205,417	\$ 16,445,738	10.7
Public safety	25,808,551	23,788,392	8.5
Highways and streets	14,396,663	28,133,321	(48.8)
Sanitation	378,112	374,560	0.9
Human services	31,830,352	29,806,635	6.8
Health	2,186,127	2,208,260	(1.0)
Culture and recreation	4,347,123	3,505,837	24.0
Conservation of natural resources	4,619,533	4,155,879	11.2
Economic development	286,570	481,410	(40.5)
Interest	947,882	606,054	56.4
Total Expenses	<u>\$ 103,006,330</u>	<u>\$ 109,506,086</u>	(5.9)
Increase in Net Assets	\$ 12,260,374	\$ 7,272,304	68.6
Beginning Net Assets	<u>237,341,512</u>	<u>230,069,208</u>	3.2
Ending Net Assets	<u>\$ 249,601,886</u>	<u>\$ 237,341,512</u>	5.2

Total revenues surpassed expenses, increasing net assets \$12,260,374 over last year.

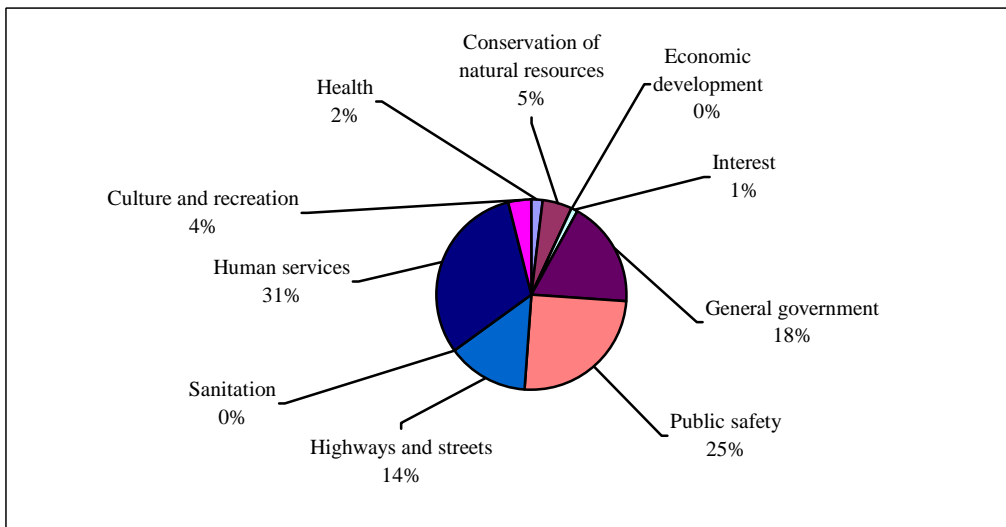
The county-wide cost of all governmental activities this year was \$103,005,652.

- Some of the cost was paid by the users of the County's programs (\$9,732,207).
- The federal and state governments subsidized certain programs with grants and contributions (\$35,117,796).
- The remaining County costs (\$58,155,649), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$57,493,101 in property taxes, \$10,591,336 in state aid, and \$2,331,329 with investment earnings and other general revenues.

**Figure A-3**  
**Sources of County Revenues for 2008**



**Figure A-4**  
**County Expenses for 2008**



(Unaudited)

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

	Total Cost of Services			Net Cost of Services		
	2008	2007	Percent (%) Change	2008	2007	Percent (%) Change
General government	\$ 18,205,417	\$ 16,445,738	10.7	\$ 13,529,106	\$ 11,396,698	18.7
Public safety	25,808,551	23,788,392	8.5	20,622,014	16,690,963	23.6
Highways and streets	14,396,663	28,133,321	(48.8)	1,247,579	11,052,757	(88.7)
Sanitation	377,434	373,940	0.9	(997,610)	(1,040,953)	4.2
Human services	31,830,352	29,806,635	6.8	15,074,872	13,932,148	8.2
Health	2,186,127	2,208,260	(1.0)	306,161	388,064	(21.1)
Culture and recreation	4,347,123	3,505,837	24.0	4,161,074	3,345,990	24.4
Conservation of natural resources	4,619,533	4,155,879	11.2	3,034,300	2,909,261	4.3
Economic development	286,570	481,410	(40.5)	230,271	215,311	6.9
Interest	947,882	606,054	56.4	947,882	606,054	56.4
Total	<u>\$ 103,005,652</u>	<u>\$ 109,505,466</u>	(5.9)	<u>\$ 58,155,649</u>	<u>\$ 59,496,293</u>	(2.3)

## FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$58,052,711. Of this amount, \$55,047,601, or approximately 95 percent, is available for spending at the County's discretion.

Revenues for the County's governmental funds were \$116,495,945, while total expenditures were \$116,532,101.

### General Fund

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

The following schedule presents a summary of General Fund revenues:

**Table A-4**  
**General Fund Revenues**

Source	Year Ended December 31		Change	
	2008	2007	Increase/ (Decrease)	Percent (%) Change
Taxes	\$ 25,711,326	\$ 22,866,447	\$ 2,844,879	12.4
Intergovernmental	10,618,922	11,315,984	(697,062)	(6.2)
Charges for services	4,355,148	4,464,660	(109,512)	(2.5)
Investment income	2,045,470	2,964,109	(918,639)	(31.0)
Miscellaneous and other	2,348,269	2,716,061	(367,792)	(13.5)
Total General Fund Revenues	<u>\$ 45,079,135</u>	<u>\$ 44,327,261</u>	<u>\$ 751,874</u>	1.7

(Unaudited)



Total General Fund revenues increased by \$751,874, or 1.7 percent, from the previous year. The mix of property tax and state aid can change significantly from year to year without any net change in revenue.

The following schedule presents a summary of General Fund expenditures:

**Table A-5  
General Fund Expenditures**

Function	Year Ended December 31		Change	
	2008	2007	Increase/ (Decrease)	Percent (%) Change
General government	\$ 16,965,584	\$ 15,291,463	\$ 1,674,121	10.9
Public safety	18,623,484	17,505,906	1,117,578	6.4
Culture and recreation	2,588,656	2,478,412	110,244	4.4
Conservation of natural resources	4,492,268	4,056,049	436,219	10.8
Economic development	77,064	110,083	(33,019)	(30.0)
Intergovernmental	-	221,327	(221,327)	N/A
Total General Fund Expenditures	<u>\$ 42,747,056</u>	<u>\$ 39,663,240</u>	<u>\$ 3,083,816</u>	7.8

### General Fund Budgetary Highlights

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

- Actual revenues were \$980,713 more than expected.
- The actual expenditures were \$783,146 less than budget.

### CONSTRUCTION PROJECTS AND DEBT SERVICE

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

### CAPITAL ASSETS

By the end of 2008, the County had invested over \$222,000,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-6.) More detailed information about capital assets can be found in Note 3.A.3. to the financial statements. Total depreciation expense for the year was \$5,558,878.

**Table A-6  
Capital Assets**

	2008	2007	Percent (%) Change
Land	\$ 12,698,065	\$ 9,953,764	27.6
Construction in progress	42,668,552	42,179,360	1.2
Right-of-way	5,626,344	5,625,954	-
Infrastructure	160,107,491	153,633,207	4.2
Buildings	47,532,880	44,673,748	6.4
Machinery, furniture, and equipment	17,987,180	16,554,547	8.7
Less: accumulated depreciation	(63,626,911)	(58,359,779)	(9.0)
Total	\$ 222,993,601	\$ 214,260,801	4.1

## LONG-TERM LIABILITIES

At year-end, the County had \$36,938,022 in long-term liabilities outstanding. The current portion of these liabilities is \$6,205,093.

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

	2008	2007	Increase/ (Decrease)	Percent (%) Change
General obligation bonds and notes payable	\$ 20,181,267	\$ 12,242,209	\$ 7,939,058	64.8
Revenue bonds payable	9,395,154	8,246,452	1,148,702	13.9
Loans payable	25,000	25,000	-	-
Compensated absences payable	6,724,643	6,144,223	580,420	9.4
OPEB liability	611,958	-	611,958	N/A
Total	\$ 36,938,022	\$ 26,657,884	\$ 10,280,138	38.6

## FACTORS BEARING ON THE COUNTY'S FUTURE

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

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***EXHIBIT 1***

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

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Housing and Redevelopment Authority of Stearns County</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 62,133,875	\$ 192	\$ 62,134,067	\$ 1,728,441
Petty cash and change funds	10,120	-	10,120	-
Departmental cash	2,500	-	2,500	-
Cash with fiscal agent	2,276	-	2,276	20,344
Taxes receivable delinquent	1,596,138	-	1,596,138	164,929
Special assessments receivable				
Delinquent	75,192	-	75,192	-
Deferred	691,283	-	691,283	-
Accounts receivable - net	509,981	-	509,981	6,649
Accrued interest receivable	212,007	-	212,007	9,362
Loans receivable	239,243	30,952	270,195	29,518
Internal balances	30,500	(30,500)	-	-
Due from other governments	6,567,576	-	6,567,576	140,201
Inventories	499,165	-	499,165	-
Prepaid items	25,548	-	25,548	6,144
Deferred charges	165,822	-	165,822	66,860
Capital assets				
Non-depreciable	60,992,961	-	60,992,961	949,842
Depreciable - net of accumulated depreciation	162,000,640	-	162,000,640	3,430,558
<b>Total Assets</b>	<b>\$ 295,754,827</b>	<b>\$ 644</b>	<b>\$ 295,755,471</b>	<b>\$ 6,552,848</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 3,249,943	\$ -	\$ 3,249,943	\$ 95,392
Salaries payable	1,633,842	-	1,633,842	32,818
Contracts payable	2,412,472	-	2,412,472	-
Due to other governments	1,125,970	-	1,125,970	-
Accrued interest payable	145,553	-	145,553	17,563
Unearned revenue	647,783	-	647,783	-
Noncurrent liabilities				
Due within one year	6,205,093	-	6,205,093	95,409
Due in more than one year	30,732,929	-	30,732,929	1,836,913
<b>Total Liabilities</b>	<b>\$ 46,153,585</b>	<b>\$ -</b>	<b>\$ 46,153,585</b>	<b>\$ 2,078,095</b>

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

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***EXHIBIT 1  
(Continued)***

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

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Housing and Redevelopment Authority of Stearns County</b>
<b><u>Net Assets</u></b>				
Invested in capital assets - net of related debt	\$ 212,822,643	\$ -	\$ 212,822,643	\$ 2,563,221
Restricted for				
General government	362,346	-	362,346	-
Public safety	646,331	-	646,331	-
Highways and streets	393,513	-	393,513	-
Sanitation	143,781	-	143,781	-
Conservation of natural resources	164,885	-	164,885	-
Economic development	818,372	-	818,372	-
Debt service	-	-	-	78,003
Section 8 housing	-	-	-	63,581
Future projects	-	-	-	719,130
Unrestricted	34,249,371	644	34,250,015	1,050,818
<b>Total Net Assets</b>	<b>\$ 249,601,242</b>	<b>\$ 644</b>	<b>\$ 249,601,886</b>	<b>\$ 4,474,753</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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

			<u>Program Revenues</u>
			<u>Operating Grants and Contributions</u>
	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	
<b><u>Functions/Programs</u></b>			
<b>Primary government</b>			
<b>Governmental activities</b>			
General government	\$ 18,205,417	\$ 4,310,577	\$ 365,734
Public safety	25,808,551	1,227,179	3,959,358
Highways and streets	14,396,663	390,823	5,392,573
Sanitation	377,434	693,731	681,313
Human services	31,830,352	2,075,038	14,680,442
Health	2,186,127	260,132	1,619,834
Culture and recreation	4,347,123	130,956	4,695
Conservation of natural resources	4,619,533	587,472	997,761
Economic development	286,570	56,299	-
Interest	947,882	-	-
<b>Total governmental activities</b>	<b>\$ 103,005,652</b>	<b>\$ 9,732,207</b>	<b>\$ 27,701,710</b>
<b>Business-type activities</b>			
Solid waste	678	935	-
<b>Total Primary Government</b>	<b>\$ 103,006,330</b>	<b>\$ 9,733,142</b>	<b>\$ 27,701,710</b>
<b>Component unit</b>			
Housing and Redevelopment Authority of Stearns County	<b>\$ 2,381,215</b>	<b>\$ 266,354</b>	<b>\$ 2,196,617</b>

**General Revenues**

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

**Total general revenues**

**Change in net assets**

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

**Net Assets - Ending**



**EXHIBIT 2**

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority of Stearns County
\$ -	\$ (13,529,106)	\$ -	\$ (13,529,106)	
-	(20,622,014)	-	(20,622,014)	
7,365,688	(1,247,579)	-	(1,247,579)	
-	997,610	-	997,610	
-	(15,074,872)	-	(15,074,872)	
-	(306,161)	-	(306,161)	
50,398	(4,161,074)	-	(4,161,074)	
-	(3,034,300)	-	(3,034,300)	
-	(230,271)	-	(230,271)	
-	(947,882)	-	(947,882)	
<b>\$ 7,416,086</b>	<b>\$ (58,155,649)</b>	<b>\$ -</b>	<b>\$ (58,155,649)</b>	
-	-	257	257	
<b>\$ 7,416,086</b>	<b>\$ (58,155,649)</b>	<b>\$ 257</b>	<b>\$ (58,155,392)</b>	
<b>\$ 375,000</b>				<b>\$ 456,756</b>
	\$ 57,493,101	\$ -	\$ 57,493,101	\$ 226,110
	20,244	-	20,244	-
	131,353	-	131,353	-
	10,591,336	-	10,591,336	22,678
	2,158,480	-	2,158,480	94,792
	21,252	-	21,252	-
	<b>\$ 70,415,766</b>	<b>\$ -</b>	<b>\$ 70,415,766</b>	<b>\$ 343,580</b>
	\$ 12,260,117	\$ 257	\$ 12,260,374	\$ 800,336
	<b>237,341,125</b>	<b>387</b>	<b>237,341,512</b>	<b>3,674,417</b>
	<b>\$ 249,601,242</b>	<b>\$ 644</b>	<b>\$ 249,601,886</b>	<b>\$ 4,474,753</b>

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## **FUND FINANCIAL STATEMENTS**

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## **GOVERNMENTAL FUNDS**

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 22,150,939	\$ 3,961,735
Petty cash and change funds	9,300	-
Departmental cash	2,500	-
Cash with fiscal agent	-	-
Taxes receivable delinquent	699,792	185,613
Special assessments receivable		
Delinquent	-	-
Deferred	-	-
Accounts receivable	367,965	-
Accrued interest receivable	212,007	-
Loans receivable	-	-
Due from other governments	247,041	4,019,965
Inventories	16,061	483,104
Advance to other funds	-	-
Prepaid items	23,825	-
	<hr/>	<hr/>
<b>Total Assets</b>	<b><u>\$ 23,729,430</u></b>	<b><u>\$ 8,650,417</u></b>
 <b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,561,354	\$ 143,658
Salaries payable	879,583	123,361
Contracts payable	-	1,496,685
Due to other governments	624,286	8,980
Deferred revenue - unavailable	584,660	2,960,529
Deferred revenue - unearned	370,185	26,056
Advance from other funds	-	283,570
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b><u>\$ 4,020,068</u></b>	<b><u>\$ 5,042,839</u></b>
 <b>Fund Balances</b>		
Reserved (Note 3.D.)	\$ 1,085,621	\$ 876,617
Unreserved		
Designated (Note 3.D.)	17,269,515	2,730,961
Undesignated	1,354,226	-
Reported in nonmajor special revenue funds	-	-
	<hr/>	<hr/>
<b>Total Fund Balances</b>	<b><u>\$ 19,709,362</u></b>	<b><u>\$ 3,607,578</u></b>
	<hr/>	<hr/>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 23,729,430</u></b>	<b><u>\$ 8,650,417</u></b>

**EXHIBIT 3**

<b>Human Services</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor Funds</b>	<b>Total</b>
\$ 13,968,898	\$ 6,460,740	\$ 9,997,695	\$ 5,038,393	\$ 61,578,400
300	-	-	520	10,120
-	-	-	-	2,500
-	2,276	-	-	2,276
558,766	120,231	-	31,736	1,596,138
-	16,509	-	58,683	75,192
-	591,991	-	99,292	691,283
20,904	-	-	121,112	509,981
-	-	-	-	212,007
-	-	-	239,243	239,243
2,247,825	-	52,745	-	6,567,576
-	-	-	-	499,165
-	-	-	314,070	314,070
1,723	-	-	-	25,548
<b>\$ 16,798,416</b>	<b>\$ 7,191,747</b>	<b>\$ 10,050,440</b>	<b>\$ 5,903,049</b>	<b>\$ 72,323,499</b>
\$ 1,133,158	\$ -	\$ 145,141	\$ 132,617	\$ 3,115,928
615,168	-	-	15,730	1,633,842
-	-	915,787	-	2,412,472
484,936	-	-	7,768	1,125,970
566,839	703,261	52,745	183,189	5,051,223
12,299	-	-	239,243	647,783
-	-	-	-	283,570
<b>\$ 2,812,400</b>	<b>\$ 703,261</b>	<b>\$ 1,113,673</b>	<b>\$ 578,547</b>	<b>\$ 14,270,788</b>
\$ -	\$ 2,276	\$ -	\$ 1,040,596	\$ 3,005,110
13,986,016	6,486,210	8,936,767	-	49,409,469
-	-	-	-	1,354,226
-	-	-	4,283,906	4,283,906
<b>\$ 13,986,016</b>	<b>\$ 6,488,486</b>	<b>\$ 8,936,767</b>	<b>\$ 5,324,502</b>	<b>\$ 58,052,711</b>
<b>\$ 16,798,416</b>	<b>\$ 7,191,747</b>	<b>\$ 10,050,440</b>	<b>\$ 5,903,049</b>	<b>\$ 72,323,499</b>

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***EXHIBIT 4***

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

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 58,052,711</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		222,993,601
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		5,051,223
An internal service fund is used by the County to charge the cost of improvements for information services to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		421,460
Deferred debt issuance charges are not available to pay current expenditures and, therefore, are not deferred in the funds.		165,822
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable - net of premium and discount	\$ (29,576,421)	
Loans payable	(25,000)	
Compensated absences	(6,724,643)	
Other postemployment benefits liability	<u>(611,958)</u>	(36,938,022)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		<u>(145,553)</u>
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b><u>\$ 249,601,242</u></b>

**STEARNS COUNTY  
ST. CLOUD, 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>
<b>Revenues</b>		
Taxes	\$ 25,711,326	\$ 6,851,661
Special assessments	-	-
Licenses and permits	504,518	34,296
Intergovernmental	10,618,922	11,980,803
Charges for services	4,355,148	25,721
Fines and forfeits	105,641	-
Gifts and contributions	7,791	-
Investment income	2,045,470	-
Miscellaneous	1,730,319	330,806
<b>Total Revenues</b>	<b>\$ 45,079,135</b>	<b>\$ 19,223,287</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 16,965,584	\$ -
Public safety	18,623,484	-
Highways and streets	-	18,813,270
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	2,588,656	-
Conservation of natural resources	4,492,268	79,381
Economic development	77,064	-
<b>Intergovernmental</b>		
Highways and streets	-	512,334
Culture and recreation	-	-
<b>Capital outlay</b>		
General government	-	-
Public safety	-	-
Highways and streets	-	-
Human services	-	-
Culture and recreation	-	-
<b>Debt service</b>		
Principal	-	-
Interest	-	-
Bond issuance costs	-	-
<b>Total Expenditures</b>	<b>\$ 42,747,056</b>	<b>\$ 19,404,985</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 2,332,079</b>	<b>\$ (181,698)</b>

**EXHIBIT 5**

<b>Human Services</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor Funds</b>	<b>Total</b>
\$ 19,499,458	\$ 3,817,606	\$ -	\$ 1,225,738	\$ 57,105,789
-	148,062	-	678,731	826,793
-	-	-	63,314	602,128
20,427,553	2,277,696	198,252	93,778	45,597,004
1,551,302	-	-	647,974	6,580,145
-	-	-	182,944	288,585
-	-	10,006	6,678	24,475
-	32,047	-	40,250	2,117,767
1,047,099	1,931	27,500	215,604	3,353,259
<b>\$ 42,525,412</b>	<b>\$ 6,277,342</b>	<b>\$ 235,758</b>	<b>\$ 3,155,011</b>	<b>\$ 116,495,945</b>
\$ -	\$ 17,402	\$ -	\$ 415,231	\$ 17,398,217
6,589,354	-	-	694	25,213,532
-	-	-	-	18,813,270
-	-	-	375,900	375,900
32,615,954	-	-	-	32,615,954
2,161,610	-	-	-	2,161,610
-	-	-	1,058,948	3,647,604
-	-	-	696	4,572,345
-	-	-	209,506	286,570
-	-	-	-	512,334
-	-	-	31,750	31,750
-	-	3,443,146	-	3,443,146
-	-	284,685	-	284,685
-	-	321,150	-	321,150
-	-	46,699	-	46,699
-	-	1,209,568	-	1,209,568
-	4,560,000	-	20,000	4,580,000
-	890,379	-	550	890,929
-	13,000	113,838	-	126,838
<b>\$ 41,366,918</b>	<b>\$ 5,480,781</b>	<b>\$ 5,419,086</b>	<b>\$ 2,113,275</b>	<b>\$ 116,532,101</b>
<b>\$ 1,158,494</b>	<b>\$ 796,561</b>	<b>\$ (5,183,328)</b>	<b>\$ 1,041,736</b>	<b>\$ (36,156)</b>

**STEARNS COUNTY  
ST. CLOUD, 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>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 1,484,658	\$ 202,553
Transfers out	(2,351,760)	(189,077)
Premium on bonds issued	-	-
Discount on bonds issued	-	-
Bonds issued	-	1,653,702
Refunding bonds issued	-	-
Refunded bonds	-	-
Proceeds from sale of capital assets	21,252	-
	<hr/>	<hr/>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (845,850)</b>	<b>\$ 1,667,178</b>
	<hr/>	<hr/>
<b>Net Change in Fund Balances</b>	<b>\$ 1,486,229</b>	<b>\$ 1,485,480</b>
	<hr/>	<hr/>
<b>Fund Balances - January 1</b>	<b>18,223,133</b>	<b>2,114,598</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>7,500</b>
	<hr/>	<hr/>
<b>Fund Balances - December 31</b>	<b><u><u>\$ 19,709,362</u></u></b>	<b><u><u>\$ 3,607,578</u></u></b>

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

<b>Human Services</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor Funds</b>	<b>Total</b>
\$ 1,877,473	\$ -	\$ 443,201	\$ 46,734	\$ 4,054,619
(1,511,438)	-	(242,384)	(2,344)	(4,297,003)
-	-	70,104	-	70,104
-	(5,292)	-	-	(5,292)
-	-	12,800,000	-	14,453,702
-	1,800,000	-	-	1,800,000
-	(2,645,000)	-	-	(2,645,000)
-	-	-	-	21,252
<b>\$ 366,035</b>	<b>\$ (850,292)</b>	<b>\$ 13,070,921</b>	<b>\$ 44,390</b>	<b>\$ 13,452,382</b>
<b>\$ 1,524,529</b>	<b>\$ (53,731)</b>	<b>\$ 7,887,593</b>	<b>\$ 1,086,126</b>	<b>\$ 13,416,226</b>
<b>12,461,487</b>	<b>6,542,217</b>	<b>1,049,174</b>	<b>4,238,376</b>	<b>44,628,985</b>
-	-	-	-	<b>7,500</b>
<b>\$ 13,986,016</b>	<b>\$ 6,488,486</b>	<b>\$ 8,936,767</b>	<b>\$ 5,324,502</b>	<b>\$ 58,052,711</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**EXHIBIT 6**

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

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 13,416,226**

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

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

Deferred revenue - unavailable - December 31	\$ 5,051,223	
Deferred revenue - unavailable - January 1	<u>(5,160,162)</u>	(108,939)

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

Expenditures for general capital assets and infrastructure	\$ 14,291,678	
Current year depreciation	<u>(5,558,878)</u>	8,732,800

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

Debt issued		
General obligation bonds	\$ (12,800,000)	
Revenue bonds	(1,653,702)	
Refunding bonds	(1,800,000)	
Principal repayments		
General obligation bonds	4,075,000	
Revenue bonds	505,000	
Refunded bonds	2,645,000	
Issuance costs, discounts, and premiums	62,026	
Current year amortization of issuance costs, discounts, and premiums	<u>(13,032)</u>	(8,979,708)

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***EXHIBIT 6***  
***(Continued)***

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

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	\$ (36,844)	
Change in compensated absences	(580,420)	
Change in other postemployment benefits liability	(611,958)	
Change in inventories	<u>7,500</u>	(1,221,722)

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

421,460

**Change in Net Assets of Governmental Activities (Exhibit 2)**

**\$ 12,260,117**

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## **PROPRIETARY FUNDS**

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***EXHIBIT 7***

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

	<b>Business-Type Activities Septic Loan Enterprise Fund</b>	<b>Governmental Activities Information Services Improvements Internal Service Fund</b>
<b><u>Assets</u></b>		
Current assets		
Cash and pooled investments	\$ 192	\$ 555,475
Noncurrent assets		
Loans receivable	30,952	-
<b>Total Assets</b>	<b>\$ 31,144</b>	<b>\$ 555,475</b>
<b><u>Liabilities</u></b>		
Current liabilities		
Accounts payable	\$ -	\$ 134,015
Noncurrent liabilities		
Advance from other funds	30,500	-
<b>Total Liabilities</b>	<b>\$ 30,500</b>	<b>\$ 134,015</b>
<b><u>Net Assets</u></b>		
Unrestricted	<b>\$ 644</b>	<b>\$ 421,460</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Business-Type Activities Septic Loan Enterprise Fund</u>	<u>Governmental Activities Information Services Improvements Internal Service Fund</u>
<b>Operating Revenues</b>		
Charges for services	\$ -	\$ 703,705
Interest on loans	935	-
<b>Total Operating Revenues</b>	<b>\$ 935</b>	<b>\$ 703,705</b>
<b>Operating Expenses</b>		
Cost of services	-	524,629
<b>Operating Income (Loss)</b>	<b>\$ 935</b>	<b>\$ 179,076</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest expense	(678)	-
<b>Income (Loss) Before Transfers</b>	<b>\$ 257</b>	<b>\$ 179,076</b>
Transfers in	-	242,384
<b>Change in Net Assets</b>	<b>\$ 257</b>	<b>\$ 421,460</b>
<b>Net Assets - January 1</b>	<b>387</b>	-
<b>Net Assets - December 31</b>	<b><u>\$ 644</u></b>	<b><u>\$ 421,460</u></b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
Increase (Decrease) in Cash and Cash Equivalents**

	<b>Business-Type Activities Septic Loan Enterprise Fund</b>	<b>Governmental Activities Information Services Improvements Internal Service Fund</b>
<b>Cash Flows from Operating Activities</b>		
Septic system loans made	\$ (9,306)	\$ -
Interest received on loans	935	-
Receipts from customers and users	12,657	16,434
Receipts from internal services provided	-	687,271
Payments to suppliers	-	(390,614)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 4,286</b>	<b>\$ 313,091</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Advance from other funds paid back	\$ (3,416)	\$ -
Interest paid	(678)	-
Transfers in	-	242,384
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ (4,094)</b>	<b>\$ 242,384</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 192</b>	<b>\$ 555,475</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>-</b>	<b>-</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 192</b>	<b>\$ 555,475</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>		
<b>Net operating income (loss)</b>	<b>\$ 935</b>	<b>\$ 179,076</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>		
(Increase) decrease in loans receivable	\$ 3,351	\$ -
Increase (decrease) in accounts payable	-	134,015
<b>Total adjustments</b>	<b>\$ 3,351</b>	<b>\$ 134,015</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 4,286</b>	<b>\$ 313,091</b>

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## **FIDUCIARY FUND**

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***EXHIBIT 10***

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

	<u><b>Agency Fund</b></u>
<u><b>Assets</b></u>	
Cash and pooled investments	<u><u>\$ 4,266,345</u></u>
<u><b>Liabilities</b></u>	
Accounts payable	\$ 535,876
Due to other governments	<u>3,730,469</u>
<b>Total Liabilities</b>	<u><u>\$ 4,266,345</u></u>

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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

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**1. Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

Stearns County was established February 23, 1854, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Stearns County and its component unit for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

**Blended Component Unit**

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

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Unit (Continued)

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

Discrete Component Unit

The Housing and Redevelopment Authority (HRA) of Stearns County is a component unit of Stearns County and is reported in a separate column in the County's government-wide financial statements to emphasize that the HRA is legally separate from Stearns County. The HRA operates as a local governmental unit for the purpose of providing housing and redevelopment services to Stearns County. The governing body consists of a five-member Board of Commissioners appointed by the Stearns County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended June 30, 2008.

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

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

2. Fund Financial Statements

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The principal operating revenues of the County's enterprise fund includes interest on septic system loans. Operating expenses for enterprise and internal service fund activities may include cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt.

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Stearns County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 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 \$2,045,470.

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

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

2. Receivables and Payables

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



**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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

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

5. Compensated Absences

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

6. Deferred Revenue

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations

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

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

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change. The unreserved, undesignated account indicates the portion of equity that is available for appropriation in future periods.

9. Use of Estimates

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

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

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
Conservation of natural resources	\$ 4,492,268	\$ 4,485,116	\$ 7,152
Special Revenue Funds			
Road and Bridge			
Current			
Highways and streets	18,813,270	14,995,514	3,817,756
Conservation of natural resources	79,381	78,945	436
Intergovernmental			
Highways and streets	512,334	-	512,334
Human Services			
Current			
Public safety	6,589,354	6,567,274	22,080
Health	2,161,610	1,896,748	264,862
County Park			
Current			
Culture and recreation	1,051,653	991,842	59,811
Law Library			
Current			
General government	248,246	212,259	35,987
Debt Service Fund			
Current			
General government	17,402	-	17,402
Debt Service			
Principal	4,560,000	4,135,000	425,000
Interest	890,379	446,878	443,501
Bond issuance costs	13,000	-	13,000

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 62,133,875
Petty cash and change funds	10,120
Departmental cash	2,500
Cash with fiscal agent	2,276
Business-type activities	
Cash and pooled investments	192
Statement of fiduciary net assets	
Fiduciary funds	
Cash and pooled investments	<u>4,266,345</u>
Total Cash and Investments	<u>\$ 66,415,308</u>

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. County deposits are required by Minn. Stat. § 118A.03 to 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.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

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

The County's policy is to minimize custodial risk for its deposits by monitoring the collateral balances on a daily basis and obtaining monthly updates on the par and market value of collateral pledged from financial institutions. As of December 31, 2008, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Custodial Credit Risk

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

The County's policy is that all investment securities purchased by the County shall be held in safekeeping by a third-party institution designated by the County. At December 31, 2008, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

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



**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**3. Detailed Notes on All Funds**

**A. Assets**

**1. Deposits and Investments (Continued)**

The following table presents the County's deposit and investment balances at December 31, 2008, and information relating to potential investment risk:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Farm Credit Bank	AAA	S&P		3 - 5 years	\$ 251,228
Federal Farm Credit Bank	AAA	S&P		5 - 7 years	250,140
Total Federal Farm Credit Bank			N/A		\$ 501,368
Federal Home Loan Bank	AAA	S&P		1 - 3 years	\$ 703,304
Federal Home Loan Bank	AAA	S&P		3 - 5 years	506,405
Federal Home Loan Bank	AAA	S&P		5 - 7 years	1,000,060
Federal Home Loan Bank	AAA	S&P		7 - 10 years	250,783
Total Federal Home Loan Bank			N/A		\$ 2,460,552
Federal Home Loan Mortgage Corporation	AAA	S&P		3 - 5 years	\$ 1,426,424
Federal Home Loan Mortgage Corporation	AAA	S&P		5 - 7 years	1,181,705
Federal Home Loan Mortgage Corporation	AAA	S&P		7 - 10 years	3,618,447
Total Federal Home Loan Mortgage Corporation			10.23%		\$ 6,226,576
Federal National Mortgage Association	AAA	S&P		3 - 5 years	\$ 1,137,091
Federal National Mortgage Association	AAA	S&P		5 - 7 years	1,735,340
Federal National Mortgage Association	AAA	S&P		7 - 10 years	802,064
Total Federal National Mortgage Association			6.03%		\$ 3,674,495
Government National Mortgage Association	AAA	S&P	N/A	>10 years	\$ 52,570
Total U.S. government agency securities					\$ 12,915,561
Commercial paper					
American Express	A1P1	S&P, Moody's	6.57%	<1 year	\$ 3,998,340
American Honda	A1P1	S&P, Moody's	6.56%	<1 year	3,995,722
Basin Electric	A1P1F1	S&P, Fitch, Moody's	N/A	<1 year	1,996,558
Dell Computer	A1P1F1	S&P, Fitch, Moody's	N/A	<1 year	1,999,240
HSBC	A1P1	S&P, Moody's	N/A	<1 year	1,995,000
Intesa Funding	A1P1F1	S&P, Fitch, Moody's	13.03%	<1 year	7,933,833
John Deere	A1P1	S&P, Moody's	N/A	<1 year	1,999,780
San Paolo	A1P1F1	S&P, Fitch, Moody's	13.08%	<1 year	7,963,485
Total commercial paper					\$ 31,881,958

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable certificates of deposit	N/A	N/A		<1 year	\$ 2,277,692
Negotiable certificates of deposit	N/A	N/A		1 - 3 years	2,892,849
Total negotiable certificates of deposit			8.49%		\$ 5,170,541
MAGIC Fund	N/A	N/A	17.94%	N/A	\$ 10,925,246
Total investments					\$ 60,893,306
Deposits					5,507,106
Petty cash and change funds					10,120
Departmental cash					2,500
Cash with fiscal agent					2,276
Total Cash and Investments - Primary Government					\$ 66,415,308

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

2. Receivables

Property Taxes and Special Assessments

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Loans Receivable

The following economic development loans made to private enterprises under the County's economic development loan program were outstanding at December 31, 2008:

	Original Loan Amount	Balance Repaid at December 31, 2008	Outstanding Balance at December 31, 2008	Term (Years)	Interest Rate (%)
Governmental activities					
Precision Products, Inc.	\$ 50,000	\$ 9,397	\$ 40,603	10	3
Royal Tire, Inc.	125,000	84,378	40,622	20	2
Cabinet Components and Distribution Company, Inc.	55,000	52,588	2,412	10	6
Wenner Gas Company	50,000	30,244	19,756	8	1
Brenny Transportation	75,000	7,420	67,580	10	2
Notch Manufacturing, Inc.	75,000	6,730	68,270	10	2
Total Loans Receivable - Governmental Activities	<u>\$ 430,000</u>	<u>\$ 190,757</u>	<u>\$ 239,243</u>		
Business-type activities					
Septic system loans					
Various individuals	<u>\$ 44,650</u>	<u>\$ 13,698</u>	<u>\$ 30,952</u>	10	7
			Governmental Activities	Business-Type Activities	
Amounts expected to be collected within the year			\$ 35,039	\$ 11,451	
Amounts due in more than one year			204,204	19,501	
Total			<u>\$ 239,243</u>	<u>\$ 30,952</u>	

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 9,953,764	\$ 2,744,301	\$ -	\$ 12,698,065
Construction in progress	42,179,360	13,735,401	13,246,209	42,668,552
Right-of-way	5,625,954	390	-	5,626,344
Total capital assets not depreciated	\$ 57,759,078	\$ 16,480,092	\$ 13,246,209	\$ 60,992,961
Capital assets depreciated				
Buildings	\$ 44,673,748	\$ 2,859,132	\$ -	\$ 47,532,880
Machinery and automotive	10,383,887	1,183,583	291,746	11,275,724
Office furniture and equipment	6,170,660	540,796	-	6,711,456
Infrastructure	153,633,207	6,474,284	-	160,107,491
Total capital assets depreciated	\$ 214,861,502	\$ 11,057,795	\$ 291,746	\$ 225,627,551
Less: accumulated depreciation for				
Buildings	\$ 11,347,660	\$ 1,025,196	\$ -	\$ 12,372,856
Machinery and automotive	5,799,158	961,191	291,746	6,468,603
Office furniture and equipment	4,751,505	474,358	-	5,225,863
Infrastructure	36,461,456	3,098,133	-	39,559,589
Total accumulated depreciation	\$ 58,359,779	\$ 5,558,878	\$ 291,746	\$ 63,626,911
Total capital assets depreciated, net	\$ 156,501,723	\$ 5,498,917	\$ -	\$ 162,000,640
Governmental Activities Capital Assets, Net	\$ 214,260,801	\$ 21,979,009	\$ 13,246,209	\$ 222,993,601

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

Governmental Activities	
General government	\$ 901,848
Public safety	792,432
Highways and streets, including depreciation of infrastructure assets	3,736,950
Human services	50,957
Culture and recreation	75,541
Conservation of natural resources	1,150
Total Depreciation Expense - Governmental Activities	\$ 5,558,878

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Advance From/To Other Funds

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

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

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

2. Interfund Transfers

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

	Transfers In	Description
Transfers to General Fund from		
Human Services Fund	\$ 1,091,315	Salaries adjustment
Human Services Fund	198,423	Jail health adjustment
Human Services Fund	3,499	Insurance premium allocation
Miscellaneous Fund	2,344	Mounted reserve consolidation
Road and Bridge Fund	18,316	Insurance premium allocation
Road and Bridge Fund	<u>170,761</u>	Salary adjustment
Total transfers to General Fund	<u>\$ 1,484,658</u>	
Transfers to Road and Bridge Fund from		
General Fund	\$ 55,805	Information services budget changes
General Fund	133,204	Salary adjustment
General Fund	<u>13,544</u>	Sheriff garage costs
Total transfers to Road and Bridge Fund	<u>\$ 202,553</u>	

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

2. Interfund Transfers (Continued)

	Transfers In	Description
Transfers to Human Services Fund from		
General Fund	\$ 855,348	Information services budget changes
General Fund	1,022,125	Salary adjustment
Total transfers to Human Services Fund	\$ 1,877,473	
Transfers to Capital Projects Fund from		
General Fund	\$ 225,000	Technology purchases
Human Services Fund	218,201	Equipment purchases
Total transfers to Capital Projects Fund	\$ 443,201	
Transfers to nonmajor governmental funds from		
General Fund	\$ 8,288	Information services budget changes
General Fund	26,565	Salary adjustment
General Fund	1,800	Unemployment/severance adjustment
General Fund	10,000	Equipment purchase
General Fund	81	Insurance premium allocation
Total transfers to nonmajor governmental funds	\$ 46,734	
Transfers to Information Services Improvements		
Internal Service Fund from		
Capital Projects Fund	\$ 242,384	Information services web development
Total Interfund Transfers	\$ 4,297,003	

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

	Governmental Activities
Accounts	\$ 3,249,943
Salaries	1,633,842
Contracts	2,412,472
Due to other governments	1,125,970
Accrued interest	145,553
Total Payables	\$ 8,567,780

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenue

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

	Taxes and Special Assessments	Grants	Loans	State-Aid Highway Allotments	Other	Total
Major governmental funds						
General	\$ 532,596	\$ -	\$ -	\$ -	\$ 422,249	\$ 954,845
Road and Bridge	140,768	312,532	-	2,230,936	302,349	2,986,585
Human Services	428,769	150,369	-	-	-	579,138
Debt Service	703,261	-	-	-	-	703,261
Capital Projects	-	52,745	-	-	-	52,745
Other governmental funds						
County Building	3,746	-	-	-	-	3,746
County Park	17,172	-	-	-	-	17,172
Solid Waste	147,129	-	-	-	-	147,129
Economic Development	-	-	239,243	-	-	239,243
Ditch	10,846	-	-	-	-	10,846
Regional Rail Authority	4,296	-	-	-	-	4,296
Total	<u>\$ 1,988,583</u>	<u>\$ 515,646</u>	<u>\$ 239,243</u>	<u>\$ 2,230,936</u>	<u>\$ 724,598</u>	<u>\$ 5,699,006</u>
Deferred revenue						
Unavailable	\$ 1,988,583	\$ 477,291	\$ -	\$ 2,230,936	\$ 354,413	\$ 5,051,223
Unearned	-	38,355	239,243	-	370,185	647,783
Total	<u>\$ 1,988,583</u>	<u>\$ 515,646</u>	<u>\$ 239,243</u>	<u>\$ 2,230,936</u>	<u>\$ 724,598</u>	<u>\$ 5,699,006</u>

3. Vacation and Sick Leave

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

The County pays unused accumulated paid time off to employees upon termination based on two different severance plans. Unvested paid time off valued at \$3,063,472 at December 31, 2008, is available to employees in the event of an absence but is not paid to them at termination.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt - Bonds

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
General obligation bonds					
2005A G.O. Drainage Bonds	2024	\$40,000 - \$75,000	3.50 - 4.375	\$ 1,090,000	\$ 930,000
1999 G.O. Capital Improvement Bonds	2013	\$105,000 - \$240,000	4.00 - 4.375	2,670,000	1,090,000
2002A G.O. Capital Improvement Bonds	2012	\$385,000 - \$545,000	2.75 - 7.20	4,560,000	2,045,000
2002B G.O. Refunding Bonds	2009	\$460,000 - \$610,000	3.00 - 4.00	3,810,000	610,000
2005B G.O. Capital Improvement Bonds	2010	\$450,000 - \$970,000	2.70 - 3.25	4,995,000	1,905,000
2008 G.O. Capital Improvement Bonds	2022	\$535,000 - \$1,080,000	3.25 - 4.25	12,800,000	11,720,000
2008B G.O. Capital Improvement Refunding Bonds	2011	\$50,000 - \$900,000	2.00 - 2.50	<u>1,800,000</u>	<u>1,800,000</u>
Total General Obligation Bonds				<u>\$ 31,725,000</u>	<u>\$ 20,100,000</u>
Revenue bonds					
2006A Public Facilities Revenue Bonds	2019	\$505,000 - \$2,230,000	2.35	<u>\$ 11,200,000</u>	<u>\$ 9,395,154</u>



**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Economic Development Loans

The County has entered into loan agreements with the Minnesota Department of Employment and Economic Development. The loans are interest-free and are payable from the Economic Development Special Revenue Fund. Loans payable at December 31, 2008, were as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
1993 Royal Tire	2014	\$632/month	0.00	\$ 125,000	\$ 25,000

6. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds		Loans	
	Principal	Interest	Principal	Interest
2009	\$ 3,655,000	\$ 709,367	\$ -	\$ -
2010	3,300,000	599,217	-	-
2011	1,525,000	504,341	5,910	-
2012	1,630,000	448,136	7,273	-
2013	1,125,000	396,902	7,420	-
2014 - 2018	4,905,000	1,412,410	4,397	-
2019 - 2023	3,885,000	398,610	-	-
2024	75,000	3,282	-	-
Total	\$ 20,100,000	\$ 4,472,265	\$ 25,000	\$ -

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2009	\$ 2,230,000	\$ 191,776
2010	1,755,000	148,317
2011	515,000	121,513
2012	540,000	109,423
2013	545,000	96,355
2014 - 2018	3,275,000	271,067
2019	535,154	6,329
Total	\$ 9,395,154	\$ 944,780

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 12,220,000	\$ 14,600,000	\$ 6,720,000	\$ 20,100,000	\$ 3,655,000
Revenue bonds payable	8,246,452	1,653,702	505,000	9,395,154	2,230,000
Loans payable	25,000	-	-	25,000	-
Compensated absences	6,144,223	5,767,730	5,187,310	6,724,643	320,093
Bond premiums	22,209	70,104	7,077	85,236	-
Bond discount	-	(5,292)	(1,323)	(3,969)	-
OPEB liability	-	883,516	271,558	611,958	-
Total Long-Term Liabilities	<u>\$ 26,657,884</u>	<u>\$ 22,969,760</u>	<u>\$ 12,689,622</u>	<u>\$ 36,938,022</u>	<u>\$ 6,205,093</u>

8. Operating Leases

The County currently has 11 operating leases. The County made operating lease payments totaling \$291,337 in 2008. The following is a schedule of future minimum operating lease payments:

<u>Year Due</u>	<u>Lease Payments</u>
2009	\$ 264,460
2010	94,946
2011	87,597
2012	17,494
2013	400
2014 - 2018	<u>1,833</u>
Total	<u>\$ 466,730</u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

9. Refunding Bonds

On October 31, 2008, the County issued \$1,800,000 in General Obligation Capital Improvement Refunding Bonds, Series 2008B, with an average interest rate of 2.12 percent, to refund the outstanding Housing and Redevelopment Authority Lease Revenue Refunding Bonds, Series 1998A, with an average interest rate of 4.60 percent. The net proceeds of the Series 2008B bonds were used to refund the Series 1998A bonds on October 31, 2008. The County refunded the Series 1998A bonds to reduce its total debt service payments by \$20,592 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$20,023.

D. Reserved and Designated Fund Balances

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

	General	Road and Bridge	Debt Service	Other Governmental Funds	Total
Reserved for					
Attorney's forfeited property	\$ 32,504	\$ -	\$ -	\$ -	\$ 32,504
DARE	86,442	-	-	-	86,442
Sheriff's contingency	5,000	-	-	-	5,000
Inventories	-	483,104	-	-	483,104
Recorder's equipment	129,296	-	-	-	129,296
Recorder's compliance	200,546	-	-	-	200,546
E-911	477,776	-	-	-	477,776
DWI vehicle forfeiture	77,113	-	-	-	77,113
Highway projects	-	393,513	-	-	393,513
Economic development	-	-	-	818,372	818,372
Gravel pit closure	-	-	-	164,885	164,885
Landfill closure	-	-	-	57,339	57,339
Election equipment	76,944	-	-	-	76,944
Cash with fiscal agent	-	-	2,276	-	2,276
Total Reserved	<u>\$ 1,085,621</u>	<u>\$ 876,617</u>	<u>\$ 2,276</u>	<u>\$ 1,040,596</u>	<u>\$ 3,005,110</u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

3. Detailed Notes on All Funds

D. Reserved and Designated Fund Balances (Continued)

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

	General	Road and Bridge	Human Services	Debt Service	Capital Projects	Other Governmental Funds	Total
Designated for Working capital cash flow	\$ 17,104,917	\$ 2,186,881	\$ 13,911,452	\$ -	\$ 8,936,767	\$ -	\$ 42,140,017
Subsequent years' Expenditures	156,888	544,080	74,564	-	-	10,000	785,532
K9 unit	-	-	-	-	-	22,872	22,872
Sheriff's equipment	-	-	-	-	-	291	291
Parks' contingency	-	-	-	-	-	169,050	169,050
Sheriff's mounted Reserve	7,710	-	-	-	-	-	7,710
Debt service	-	-	-	6,486,210	-	-	6,486,210
Wellness activities	-	-	-	-	-	24,913	24,913
Total Designated	<u>\$ 17,269,515</u>	<u>\$ 2,730,961</u>	<u>\$ 13,986,016</u>	<u>\$ 6,486,210</u>	<u>\$ 8,936,767</u>	<u>\$ 227,126</u>	<u>\$ 49,636,595</u>

E. Other Postemployment Benefits

In 2008, the County implemented the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement required the County to calculate and record a net other postemployment benefits (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

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds

E. Other Postemployment Benefits

Plan Description (Continued)

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

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

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

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

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

Participants

Participants of the plan consisted of the following at January 1, 2007, the date of the first actuarial valuation:

Active employees	779
Retired employees	39
Spouses of retirees	9
	<hr/>
Total Plan Participants	827

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds

E. Other Postemployment Benefits (Continued)

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the Stearns County Board of Commissioners. The County finances the plan on a “pay-as-you-go” basis. During 2008, the County expended \$271,558 for these benefits.

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

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 883,516
Interest on net OPEB obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost	\$ 883,516
Contributions during the year	(271,558)
	<hr/>
Increase in net OPEB obligation	\$ 611,958
Net OPEB Obligation - Beginning	-
	<hr/>
Net OPEB Obligation - Ending	<u><u>\$ 611,958</u></u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds

E. Other Postemployment Benefits

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	<u>\$ 883,516</u>	<u>\$ 271,558</u>	<u>30.74%</u>	<u>\$ 611,958</u>

Funding Status

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

Actuarial accrued liability (AAL)	\$ 6,649,905
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 6,649,905</u>
 Funded ratio (actuarial value of plan assets/AAL)	 0.00%
Covered payroll (active plan members)	\$ 35,087,133
UAAL as a percentage of covered payroll	18.95%

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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3. Detailed Notes on All Funds

E. Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions

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

In the January 1, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return and an annual health care cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after eight years. The actuarial value of plan assets was set equal to the market value of assets. The UAAL is being amortized over 30 years on an opened group basis.

4. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County is self-insured for its health benefits plan. The County purchases commercial insurance for other risks of loss. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance for any of the past three years.



**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

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

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

Claims against the Health Partners account are processed through Health Partners, which bills the County for the actual medical costs incurred. Claims against the Blue Cross/Blue Shield account are processed through Resource Training & Solutions. At the beginning of each month, the County remits to Resource Training & Solutions the anticipated costs for that month as established by the plan in the current plan year. All costs incurred by the County for a plan year in regard to the Blue Cross/Blue Shield plan are then paid from funds collected by Resource Training & Solutions during the plan year. Changes in the balances of claims liabilities for the past two years are:

	<u>2008</u>	<u>2007</u>
Unpaid claims - January 1	\$ 872,227	\$ 809,103
Current year claims	5,783,744	5,296,489
Claim payments	<u>(5,705,089)</u>	<u>(5,233,365)</u>
Unpaid Claims - December 31	<u>\$ 950,882</u>	<u>\$ 872,227</u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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

B. Contingent Liabilities

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

C. Joint Venture

Stearns-Benton Employment and Training Council

The Stearns-Benton Employment and Training Council was created for the purpose of undertaking, implementing, and maintaining the programs established under the Job Training Partnership Act of 1982 and other federal and state laws and regulations governing the establishment and implementation of programs within areas governed by Stearns and Benton Counties. The Council is an organized joint venture having the duties, powers, and privileges granted joint powers by Minn. Stat. § 471.59. The Council is governed by a Joint Powers Board and a Workforce Development Council. The Joint Powers Board is composed of two Commissioners each from Stearns and Benton Counties and one Workforce Development Council member. As of June 30, 2008, the Workforce Development Council was composed of 26 members from local business, industry, agriculture, labor organizations, public or private education, and community service groups. Included in the Joint Powers Board's duties and powers is the authority to approve the Council's budget and enter into any necessary contracts or leases.

Stearns County contributed \$89,964 for its share of the Council's operating costs in 2008.

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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

D. Jointly-Governed Organization

Tri-County Solid Waste Management Commission

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

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

The Commission will remain in existence as long as two or more counties remain as parties to the agreement. Upon dissolution of the Commission, there will be an accounting to determine assets and liabilities. The assets of the Commission will be liquidated and, after payment of liabilities, the proceeds will be distributed to the member counties in the ratio that the total contributions made by each of them bears to the sum total of contributions made by all.

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

**STEARNS COUNTY  
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5. Pension Plans

A. Defined Benefit Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

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

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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5. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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.

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](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. 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

**STEARNS COUNTY  
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5. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

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

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	\$ 2,423,540	\$ 2,036,534	\$ 1,871,310
Public Employees Police and Fire Fund	515,267	417,238	349,182
Public Employees Correctional Fund	350,768	315,506	294,226

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

B. Defined Contribution Plan

Four employees of Stearns County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA 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.

**STEARNS COUNTY  
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5. Pension Plans

B. Defined Contribution Plan (Continued)

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

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 10,895	\$ 10,895
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

6. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies

Reporting Entity

The Housing and Redevelopment Authority (HRA) of Stearns County is a component unit of Stearns County and is reported in a separate column in the County's financial statements to emphasize that the HRA is a legally separate entity from Stearns County. The HRA operates as a public agency created by Stearns County under the Minnesota Housing and Redevelopment Authority Act of 1947. The primary purpose is to provide housing and redevelopment services to the County. The governing body consists of a five-member Board of Commissioners appointed by the Stearns County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended June 30, 2008.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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6. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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

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

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

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

Property Taxes

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

Prepaid Items

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



**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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6. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

Compensated Absences

It is the HRA's policy to permit certain employees to accumulate paid time off (PTO). After an employee has successfully completed probation, an employee who leaves the employment of the HRA in good standing shall be compensated for previously credited unused PTO at the current rate of pay up to a limited amount, based on years of service. A liability of \$48,283 represents accrued PTO time unused at year-end and is recognized as expense in the year it is earned.

Long-Term Obligations

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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6. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies

Long-Term Obligations (Continued)

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

B. Stewardship, Compliance, and Accountability

Budgetary Information

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

Deficit Fund Equity

The Washburn Heights, DEED Brooten, and First Time Homebuyers Special Revenue Funds had fund balance deficits of \$292,493, \$5,927, and \$19,782, respectively, as of June 30, 2008. The Bell Enterprise Fund had a net asset deficit of \$39,526 as of June 30, 2008.

The HRA plans to eliminate the deficits in the special revenue funds with transfers from other funds and in the Bell Enterprise Fund through future operating profits.

C. Detailed Notes on All Funds

Deposits and Investments

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Deposits and Investments (Continued)

Minnesota statutes require that all HRA deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (140 percent in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the HRA or in a financial institution other than that furnishing the collateral.

At year-end, the HRA's carrying amount of deposits was \$1,701,406, and the bank balance was \$1,761,829. Of the bank balance, \$691,874 was covered by federal depository insurance, \$1,068,126 was covered by pledged collateral held in the HRA's name, and \$1,829 was uncollateralized at year-end.

Investments are carried at fair value. Investment and dividend income is recognized as revenue when earned. As of June 30, 2008, the fair value of the HRA's investment in RBC Dain Rauscher Money Market Fund, an externally pooled investment, was \$27,035. Using the segmented time distribution method to disclose interest rate risk, this investment is less than six months. A credit rating does not apply to this investment.

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

Deposits	\$ 1,701,406
Investments - money market fund	<u>27,035</u>
Cash and pooled investments	\$ 1,728,441
Cash with fiscal agent	<u>20,344</u>
Total Cash and Pooled Investments	<u>\$ 1,748,785</u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Deposits and Investments (Continued)

Concentration of Credit Risk/Interest Rate Risk

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

Custodial Credit Risk - Investments

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

Loans Receivable

The following is a summary of loans receivable at June 30, 2008:

Down payment assistance loans	\$ 25,243
Revolving loan	4,275
DEED lead hazard control	125,073
DEED Melrose	387,454
DEED Countywide	287,961
DEED Sauk Centre	1,012,500
DEED Paynesville	302,254
Less: allowance for forgivable loans	<u>(2,115,242)</u>
Total Loans Receivable	<u>\$ 29,518</u>

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Loans Receivable (Continued)

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

Due From Other Governments

Due from other governments consists of the following:

	<u>Federal</u>
DEED lead hazard control	\$ 20,000
DEED Paynesville	<u>120,201</u>
Total	<u>\$ 140,201</u>

Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not depreciated				
Land	\$ 54,379	\$ -	\$ -	\$ 54,379
Construction in progress	<u>275,844</u>	<u>315,104</u>	<u>-</u>	<u>590,948</u>
Total capital assets not depreciated	<u>\$ 330,223</u>	<u>\$ 315,104</u>	<u>\$ -</u>	<u>\$ 645,327</u>
Capital assets depreciated				
Buildings	\$ 491,599	\$ -	\$ -	\$ 491,599
Machinery and equipment	<u>57,807</u>	<u>-</u>	<u>-</u>	<u>57,807</u>
Total capital assets depreciated	<u>\$ 549,406</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 549,406</u>
Less: accumulated depreciation for				
Buildings	\$ 24,580	\$ 12,290	\$ -	\$ 36,870
Machinery and equipment	<u>49,070</u>	<u>2,804</u>	<u>-</u>	<u>51,874</u>
Total accumulated depreciation	<u>\$ 73,650</u>	<u>\$ 15,094</u>	<u>\$ -</u>	<u>\$ 88,744</u>
Total capital assets depreciated, net	<u>\$ 475,756</u>	<u>\$ (15,094)</u>	<u>\$ -</u>	<u>\$ 460,662</u>
Governmental Activities Capital Assets, Net	<u>\$ 805,979</u>	<u>\$ 300,010</u>	<u>\$ -</u>	<u>\$ 1,105,989</u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Business-Type Activities				
Capital assets not depreciated				
Land	\$ 304,515	\$ -	\$ -	\$ 304,515
Capital assets depreciated				
Land improvements	\$ 127,155	\$ -	\$ -	\$ 127,155
Buildings	3,569,119	-	-	3,569,119
Furniture, equipment, and machinery	192,201	-	-	192,201
Total capital assets depreciated	\$ 3,888,475	\$ -	\$ -	\$ 3,888,475
Less: accumulated depreciation for				
Land improvements	\$ 47,258	\$ 4,408	\$ -	\$ 51,666
Buildings	683,840	89,229	-	773,069
Furniture, equipment, and machinery	84,679	9,165	-	93,844
Total accumulated depreciation	\$ 815,777	\$ 102,802	\$ -	\$ 918,579
Total capital assets depreciated, net	\$ 3,072,698	\$ (102,802)	\$ -	\$ 2,969,896
Business-Type Activities				
Capital Assets, Net	\$ 3,377,213	\$ (102,802)	\$ -	\$ 3,274,411

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

Governmental Activities	
General government	
Housing and economic development	\$ 15,094
Business-Type Activities	
Public Housing	\$ 47,840
Heading for Home	39,686
Section 8 Housing	906
The Bell	14,370
Total Depreciation Expense - Business-Type Activities	\$ 102,802

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds (Continued)

Long-Term Debt

1. Housing Development Bonds

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

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

2. Loans

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

	Authorized and Issued	Interest Rate (%)	Issue Date	Maturity Date	Balance at Year-End
MHFA loan	\$ 555,500	-	03/15/2002	05/01/2032	\$ 555,500
Bell Apartment loan	400,000	4.32	04/28/2005	05/15/2020	<u>338,539</u>
Total Loans					<u>\$ 894,039</u>

3. Debt Service Requirements

Debt service requirements for business-type activities at June 30, 2008, were as follows:

Year Ending June 30	MHFA Loans		Housing Development Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 22,126	\$ 14,384	\$ 25,000	\$ 40,688
2010	23,115	13,395	30,000	39,688
2011	24,148	12,362	30,000	38,488
2012	25,196	11,314	30,000	37,288
2013	26,353	10,157	30,000	36,088
2014 - 2018	150,501	32,050	180,000	160,437
2019 - 2023	67,100	2,977	215,000	121,792
2024 - 2028	-	-	265,000	73,530
2029 - 2032	555,500	-	185,000	15,938
Total	<u>\$ 894,039</u>	<u>\$ 96,639</u>	<u>\$ 990,000</u>	<u>\$ 563,937</u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Long-Term Debt (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated absences	<u>\$ 21,059</u>	<u>\$ 17,978</u>	<u>\$ 17,085</u>	<u>\$ 21,952</u>	<u>\$ 21,952</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
Bonds payable					
Housing Development Revenue Bonds, Series 2001A	\$ 975,000	\$ -	\$ 975,000	\$ -	\$ -
Housing Development Crossover Refunding Bonds, Series 2006	<u>990,000</u>	<u>-</u>	<u>-</u>	<u>990,000</u>	<u>25,000</u>
Total bonds payable	<u>\$ 1,965,000</u>	<u>\$ -</u>	<u>\$ 975,000</u>	<u>\$ 990,000</u>	<u>\$ 25,000</u>
Loans					
MHFA	\$ 555,500	\$ -	\$ -	\$ 555,500	\$ -
Bell Apartment	<u>359,679</u>	<u>-</u>	<u>21,140</u>	<u>338,539</u>	<u>22,126</u>
Total loans	<u>\$ 915,179</u>	<u>\$ -</u>	<u>\$ 21,140</u>	<u>\$ 894,039</u>	<u>\$ 22,126</u>
Compensated absences	<u>\$ 25,204</u>	<u>\$ 21,566</u>	<u>\$ 20,439</u>	<u>\$ 26,331</u>	<u>\$ 26,331</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 2,905,383</u>	<u>\$ 21,566</u>	<u>\$ 1,016,579</u>	<u>\$ 1,910,370</u>	<u>\$ 73,457</u>



**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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6. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds (Continued)

Tax Increment District

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

Tax capacity	
Original	\$ -
Current	-
	<hr/>
Captured - Retained	\$ -
	<hr/>
Total general obligation tax increment	
bonds and notes issued	\$ 345,000
Amounts redeemed	-
	<hr/>
Outstanding at June 30, 2008	\$ 345,000
	<hr/>

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

D. Defined Contribution Pension Plans

On October 1, 1998, the HRA adopted a defined contribution pension plan for all employees working at least 20 hours per week for at least five months out of the year. The employer contributes 5.53 percent annually of the employee's base rate of pay to the plan. Participating employees shall vest in employer contributions at the rate of 50 percent for each full year of continuous employment. For the fiscal years ended June 30, 2008, 2007, and 2006, employer contributions totaled \$24,808, \$20,991, and \$18,225, respectively.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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

E. Other Information

Risk Management

The HRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the HRA carries insurance through the Minnesota Counties Insurance Trust. The HRA retains risk for the deductible portions of the insurance. The amount of these deductibles is considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

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

Joint Powers Agreement

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

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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6. Housing and Redevelopment Authority of Stearns County

E. Other Information (Continued)

Conduit Debt Obligations

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

F. Capital Grant Program

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

	Grant Year		
	2006	2007	2008
Funds approved	\$ 36,847	\$ 35,803	\$ 37,788
Funds expended	-	-	-
Excess of Funds Approved	<u>\$ 36,847</u>	<u>\$ 35,803</u>	<u>\$ 37,788</u>
 Funds advanced	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Revenue	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

G. Prior Period Adjustment

A prior period adjustment of \$1,552,683 was made to beginning equity for governmental activities in the government-wide financial statements. The prior period adjustment was recorded to offset loans receivable with an allowance for forgivable loans. These loans become forgivable by the HRA if the recipient of the original loan can meet certain guidelines set forth at the time of the issuance of the loan.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 1**

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 25,628,279	\$ 25,628,279	\$ 25,711,326	\$ 83,047
Licenses and permits	547,150	547,150	504,518	(42,632)
Intergovernmental	10,934,969	11,105,953	10,618,922	(487,031)
Charges for services	4,282,212	4,310,035	4,355,148	45,113
Fines and forfeits	9,647	33,789	105,641	71,852
Gifts and contributions	-	-	7,791	7,791
Investment income	1,350,000	1,350,000	2,045,470	695,470
Miscellaneous	1,117,840	1,123,216	1,730,319	607,103
<b>Total Revenues</b>	<b>\$ 43,870,097</b>	<b>\$ 44,098,422</b>	<b>\$ 45,079,135</b>	<b>\$ 980,713</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 477,198	\$ 500,380	\$ 491,502	\$ 8,878
Courts	155,000	155,000	121,746	33,254
County administration	698,377	765,830	742,578	23,252
Auditor-Treasurer	4,204,398	4,653,541	4,637,692	15,849
Assessor	1,312,410	1,435,685	1,423,759	11,926
Purchasing	235,358	268,173	310,595	(42,422)
Information services	1,594,776	-	-	-
Graphical information systems	226,159	211,752	102,794	108,958
Human resources	718,693	777,641	801,346	(23,705)
Attorney	4,456,398	4,818,475	4,673,234	145,241
Recorder	1,338,968	1,454,874	1,091,942	362,932
Maintenance	2,186,542	1,653,945	2,194,809	(540,864)
Veterans service officer	225,497	271,729	263,531	8,198
Sexual assault victims	32,000	32,000	36,228	(4,228)
Other general government	1,478,950	669,412	73,828	595,584
<b>Total general government</b>	<b>\$ 19,340,724</b>	<b>\$ 17,668,437</b>	<b>\$ 16,965,584</b>	<b>\$ 702,853</b>
<b>Public safety</b>				
Sheriff	\$ 9,312,277	\$ 8,538,884	\$ 9,079,795	\$ (540,911)
Boat and water safety	48,175	48,244	34,214	14,030
Coroner	221,818	221,730	292,476	(70,746)
E-911 system	250,000	250,000	192,646	57,354
County jail	8,956,776	9,162,405	8,678,077	484,328
Civil defense	514,179	489,648	346,276	143,372
<b>Total public safety</b>	<b>\$ 19,303,225</b>	<b>\$ 18,710,911</b>	<b>\$ 18,623,484</b>	<b>\$ 87,427</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***Schedule 1  
(Continued)***

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Culture and recreation</b>				
Historical society	\$ 545,000	\$ 545,000	\$ 545,000	\$ -
County library	2,043,656	2,043,656	2,043,656	-
<b>Total culture and recreation</b>	<b>\$ 2,588,656</b>	<b>\$ 2,588,656</b>	<b>\$ 2,588,656</b>	<b>\$ -</b>
<b>Conservation of natural resources</b>				
County extension	\$ 368,748	\$ 378,014	\$ 374,147	\$ 3,867
Soil and water conservation	816,488	816,488	816,488	-
Agricultural society	20,000	20,000	20,000	-
Environmental services	3,032,999	3,270,614	3,281,633	(11,019)
<b>Total conservation of natural resources</b>	<b>\$ 4,238,235</b>	<b>\$ 4,485,116</b>	<b>\$ 4,492,268</b>	<b>\$ (7,152)</b>
<b>Economic development</b>				
Community development	\$ 77,082	\$ 77,082	\$ 77,064	\$ 18
<b>Total Expenditures</b>	<b>\$ 45,547,922</b>	<b>\$ 43,530,202</b>	<b>\$ 42,747,056</b>	<b>\$ 783,146</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (1,677,825)</b>	<b>\$ 568,220</b>	<b>\$ 2,332,079</b>	<b>\$ 1,763,859</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 1,482,233	\$ 1,484,658	\$ 2,425
Transfers out	-	(2,351,679)	(2,351,760)	(81)
Proceeds from sale of capital assets	17,000	17,000	21,252	4,252
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 17,000</b>	<b>\$ (852,446)</b>	<b>\$ (845,850)</b>	<b>\$ 6,596</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,660,825)</b>	<b>\$ (284,226)</b>	<b>\$ 1,486,229</b>	<b>\$ 1,770,455</b>
<b>Fund Balance - January 1</b>	<b>18,223,133</b>	<b>18,223,133</b>	<b>18,223,133</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 16,562,308</b>	<b>\$ 17,938,907</b>	<b>\$ 19,709,362</b>	<b>\$ 1,770,455</b>



**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 2**

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 7,005,727	\$ 7,005,727	\$ 6,851,661	\$ (154,066)
Licenses and permits	20,000	20,000	34,296	14,296
Intergovernmental	8,449,316	8,449,316	11,980,803	3,531,487
Charges for services	2,750	2,750	25,721	22,971
Miscellaneous	67,500	67,500	330,806	263,306
<b>Total Revenues</b>	<b>\$ 15,545,293</b>	<b>\$ 15,545,293</b>	<b>\$ 19,223,287</b>	<b>\$ 3,677,994</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 680,094	\$ 736,136	\$ 723,241	\$ 12,895
Maintenance	4,523,650	4,501,340	4,548,282	(46,942)
Construction	8,297,273	7,735,957	11,631,659	(3,895,702)
Equipment maintenance and shop	1,967,345	2,022,081	1,910,088	111,993
<b>Total highways and streets</b>	<b>\$ 15,468,362</b>	<b>\$ 14,995,514</b>	<b>\$ 18,813,270</b>	<b>\$ (3,817,756)</b>
<b>Conservation of natural resources</b>				
Agricultural inspector	76,931	78,945	79,381	(436)
<b>Intergovernmental</b>				
Highways and streets	-	-	512,334	(512,334)
<b>Total Expenditures</b>	<b>\$ 15,545,293</b>	<b>\$ 15,074,459</b>	<b>\$ 19,404,985</b>	<b>\$ (4,330,526)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ 470,834</b>	<b>\$ (181,698)</b>	<b>\$ (652,532)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 202,553	\$ 202,553	\$ -
Transfers out	-	(189,077)	(189,077)	-
Bonds issued	-	-	1,653,702	1,653,702
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 13,476</b>	<b>\$ 1,667,178</b>	<b>\$ 1,653,702</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 484,310</b>	<b>\$ 1,485,480</b>	<b>\$ 1,001,170</b>
<b>Fund Balance - January 1</b>	<b>2,114,598</b>	<b>2,114,598</b>	<b>2,114,598</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>7,500</b>	<b>7,500</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,114,598</b>	<b>\$ 2,598,908</b>	<b>\$ 3,607,578</b>	<b>\$ 1,008,670</b>

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

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 3**

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 19,630,953	\$ 19,630,953	\$ 19,499,458	\$ (131,495)
Intergovernmental	19,171,620	19,515,893	20,427,553	911,660
Charges for services	1,172,454	1,172,454	1,551,302	378,848
Miscellaneous	1,012,000	1,079,259	1,047,099	(32,160)
<b>Total Revenues</b>	<b>\$ 40,987,027</b>	<b>\$ 41,398,559</b>	<b>\$ 42,525,412</b>	<b>\$ 1,126,853</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Community corrections	\$ 6,462,569	\$ 6,567,274	\$ 6,589,354	\$ (22,080)
<b>Human services</b>				
Administrative services	\$ 3,086,965	\$ 3,113,707	\$ 3,082,596	\$ 31,111
Gateway services	8,901,486	9,364,414	9,172,500	191,914
Community support	7,797,350	7,784,584	7,885,163	(100,579)
Family and children services	7,166,073	7,125,716	6,781,447	344,269
Finance and technology	5,264,119	5,870,882	5,694,248	176,634
<b>Total human services</b>	<b>\$ 32,215,993</b>	<b>\$ 33,259,303</b>	<b>\$ 32,615,954</b>	<b>\$ 643,349</b>
<b>Health</b>				
Nursing service	\$ 2,308,465	\$ 1,896,748	\$ 2,161,610	\$ (264,862)
<b>Total Expenditures</b>	<b>\$ 40,987,027</b>	<b>\$ 41,723,325</b>	<b>\$ 41,366,918</b>	<b>\$ 356,407</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ (324,766)</b>	<b>\$ 1,158,494</b>	<b>\$ 1,483,260</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 1,877,473	\$ 1,877,473	\$ -
Transfers out	-	(1,511,438)	(1,511,438)	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 366,035</b>	<b>\$ 366,035</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 41,269</b>	<b>\$ 1,524,529</b>	<b>\$ 1,483,260</b>
<b>Fund Balance - January 1</b>	<b>12,461,487</b>	<b>12,461,487</b>	<b>12,461,487</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 12,461,487</b>	<b>\$ 12,502,756</b>	<b>\$ 13,986,016</b>	<b>\$ 1,483,260</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 4**

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

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

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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1. Budgetary Information

Budget Policies

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

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

Encumbrances

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

2. Excess of Expenditures Over Budget

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

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
Conservation of natural resources	\$ 4,492,268	\$ 4,485,116	\$ 7,152

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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2. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund			
Current			
Highways and streets	18,813,270	14,995,514	3,817,756
Conservation of natural resources	79,381	78,945	436
Intergovernmental			
Highways and streets	512,334	-	512,334
Human Services Special Revenue Fund			
Current			
Public safety	6,589,354	6,567,274	22,080
Health	2,161,610	1,896,748	264,862

3. Other Postemployment Benefits Funding Status

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

## **SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 5**

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 3,834,750	\$ 3,834,750	\$ 3,817,606	\$ (17,144)
Special assessments	-	-	148,062	148,062
Intergovernmental	2,499,513	2,499,513	2,277,696	(221,817)
Investment income	-	-	32,047	32,047
Miscellaneous	-	-	1,931	1,931
<b>Total Revenues</b>	<b>\$ 6,334,263</b>	<b>\$ 6,334,263</b>	<b>\$ 6,277,342</b>	<b>\$ (56,921)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Other	\$ -	\$ -	\$ 17,402	\$ (17,402)
<b>Debt service</b>				
Principal	4,135,000	4,135,000	4,560,000	(425,000)
Interest	446,878	446,878	890,379	(443,501)
Bond issuance costs	-	-	13,000	(13,000)
<b>Total Expenditures</b>	<b>\$ 4,581,878</b>	<b>\$ 4,581,878</b>	<b>\$ 5,480,781</b>	<b>\$ (898,903)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 1,752,385</b>	<b>\$ 1,752,385</b>	<b>\$ 796,561</b>	<b>\$ (955,824)</b>
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	\$ -	\$ -	\$ 1,800,000	\$ 1,800,000
Refunded bonds	-	-	(2,645,000)	(2,645,000)
Discount on bonds issued	-	-	(5,292)	(5,292)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (850,292)</b>	<b>\$ (850,292)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,752,385</b>	<b>\$ 1,752,385</b>	<b>\$ (53,731)</b>	<b>\$ (1,806,116)</b>
<b>Fund Balance - January 1</b>	<b>6,542,217</b>	<b>6,542,217</b>	<b>6,542,217</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 8,294,602</b>	<b>\$ 8,294,602</b>	<b>\$ 6,488,486</b>	<b>\$ (1,806,116)</b>

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**NONMAJOR FUNDS**

**SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

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

**AGENCY FUND**

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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

	<u>County Building</u>	<u>County Park</u>	<u>Law Library</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 187,864	\$ 466,114	\$ 133,764
Petty cash and change funds	-	220	-
Taxes receivable delinquent	4,986	22,454	-
Special assessments receivable			
Delinquent	-	-	-
Deferred	-	-	-
Accounts receivable	-	-	14,347
Loans receivable	-	-	-
Advance to other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 192,850</u></b>	<b><u>\$ 488,788</u></b>	<b><u>\$ 148,111</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 91,566	\$ 25,494
Salaries payable	-	11,837	931
Due to other governments	-	7,768	-
Deferred revenue - unavailable	3,746	17,172	-
Deferred revenue - unearned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<b><u>\$ 3,746</u></b>	<b><u>\$ 128,343</u></b>	<b><u>\$ 26,425</u></b>
<b>Fund Balances</b>			
Reserved for economic development	\$ -	\$ -	\$ -
Reserved for gravel pit closure	-	-	-
Reserved for landfill closure	-	-	-
Unreserved			
Designated for subsequent years expenditures	-	10,000	-
Designated for K9 unit	-	-	-
Designated for Sheriff's equipment	-	-	-
Designated for parks' contingency	-	-	-
Designated for wellness activities	-	-	-
Undesignated	189,104	350,445	121,686
	<u>189,104</u>	<u>350,445</u>	<u>121,686</u>
<b>Total Fund Balances</b>	<b><u>\$ 189,104</u></b>	<b><u>\$ 360,445</u></b>	<b><u>\$ 121,686</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 192,850</u></b>	<b><u>\$ 488,788</u></b>	<b><u>\$ 148,111</u></b>

**Statement 1**

<b>Special Revenue Funds</b>					
<b>Solid Waste</b>	<b>Economic Development</b>	<b>Ditch</b>	<b>Miscellaneous</b>	<b>Regional Rail Authority</b>	<b>Total</b>
\$ 3,090,663	\$ 534,802	\$ 152,725	\$ 455,485	\$ 16,976	\$ 5,038,393
-	-	-	300	-	520
-	-	-	-	4,296	31,736
58,670	-	13	-	-	58,683
88,459	-	10,833	-	-	99,292
106,765	-	-	-	-	121,112
-	239,243	-	-	-	239,243
30,500	283,570	-	-	-	314,070
<b>\$ 3,375,057</b>	<b>\$ 1,057,615</b>	<b>\$ 163,571</b>	<b>\$ 455,785</b>	<b>\$ 21,272</b>	<b>\$ 5,903,049</b>
\$ 437	\$ -	\$ -	\$ 15,120	\$ -	\$ 132,617
2,962	-	-	-	-	15,730
-	-	-	-	-	7,768
147,129	-	10,846	-	4,296	183,189
-	239,243	-	-	-	239,243
<b>\$ 150,528</b>	<b>\$ 239,243</b>	<b>\$ 10,846</b>	<b>\$ 15,120</b>	<b>\$ 4,296</b>	<b>\$ 578,547</b>
\$ -	\$ 818,372	\$ -	\$ -	\$ -	\$ 818,372
-	-	-	164,885	-	164,885
-	-	-	57,339	-	57,339
-	-	-	-	-	10,000
-	-	-	22,872	-	22,872
-	-	-	291	-	291
-	-	-	169,050	-	169,050
-	-	-	24,913	-	24,913
3,224,529	-	152,725	1,315	16,976	4,056,780
<b>\$ 3,224,529</b>	<b>\$ 818,372</b>	<b>\$ 152,725</b>	<b>\$ 440,665</b>	<b>\$ 16,976</b>	<b>\$ 5,324,502</b>
<b>\$ 3,375,057</b>	<b>\$ 1,057,615</b>	<b>\$ 163,571</b>	<b>\$ 455,785</b>	<b>\$ 21,272</b>	<b>\$ 5,903,049</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

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

	<u>County Building</u>	<u>County Park</u>	<u>Law Library</u>
<b>Revenues</b>			
Taxes	\$ 186,275	\$ 809,444	\$ -
Special assessments	-	-	-
Licenses and permits	-	63,314	-
Intergovernmental	14,617	62,454	-
Charges for services	-	-	1,913
Fines and forfeits	-	-	182,944
Gifts and contributions	-	4,695	-
Investment income	-	1,496	-
Miscellaneous	-	9,866	-
<b>Total Revenues</b>	<b>\$ 200,892</b>	<b>\$ 951,269</b>	<b>\$ 184,857</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 64,350	\$ -	\$ 248,246
Public safety	-	-	-
Sanitation	-	-	-
Culture and recreation	-	1,051,653	-
Conservation of natural resources	-	-	-
Economic development	-	-	-
<b>Intergovernmental</b>			
Culture and recreation	-	-	-
<b>Debt service</b>			
Principal	-	-	-
Interest	-	-	-
<b>Total Expenditures</b>	<b>\$ 64,350</b>	<b>\$ 1,051,653</b>	<b>\$ 248,246</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 136,542</b>	<b>\$ (100,384)</b>	<b>\$ (63,389)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ 43,059	\$ -
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 43,059</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 136,542</b>	<b>\$ (57,325)</b>	<b>\$ (63,389)</b>
<b>Fund Balance - January 1</b>	<b>52,562</b>	<b>417,770</b>	<b>185,075</b>
<b>Fund Balance - December 31</b>	<b>\$ 189,104</b>	<b>\$ 360,445</b>	<b>\$ 121,686</b>



Statement 2

Special Revenue Funds					
Solid Waste	Economic Development	Ditch	Miscellaneous	Regional Rail Authority	Total
\$ -	\$ -	\$ -	\$ 20,244	\$ 209,775	\$ 1,225,738
669,803	-	8,928	-	-	678,731
-	-	-	-	-	63,314
-	-	-	-	16,707	93,778
646,061	-	-	-	-	647,974
-	-	-	-	-	182,944
-	-	-	1,983	-	6,678
20,326	18,428	-	-	-	40,250
9,760	37,871	-	158,107	-	215,604
<u>\$ 1,345,950</u>	<u>\$ 56,299</u>	<u>\$ 8,928</u>	<u>\$ 180,334</u>	<u>\$ 226,482</u>	<u>\$ 3,155,011</u>
\$ -	\$ -	\$ -	\$ 102,635	\$ -	\$ 415,231
-	-	-	694	-	694
375,900	-	-	-	-	375,900
-	-	-	7,295	-	1,058,948
-	-	696	-	-	696
-	-	-	-	209,506	209,506
-	-	-	31,750	-	31,750
-	-	20,000	-	-	20,000
-	-	550	-	-	550
<u>\$ 375,900</u>	<u>\$ -</u>	<u>\$ 21,246</u>	<u>\$ 142,374</u>	<u>\$ 209,506</u>	<u>\$ 2,113,275</u>
<u>\$ 970,050</u>	<u>\$ 56,299</u>	<u>\$ (12,318)</u>	<u>\$ 37,960</u>	<u>\$ 16,976</u>	<u>\$ 1,041,736</u>
\$ 3,675	\$ -	\$ -	\$ -	\$ -	\$ 46,734
-	-	-	(2,344)	-	(2,344)
<u>\$ 3,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,344)</u>	<u>\$ -</u>	<u>\$ 44,390</u>
\$ 973,725	\$ 56,299	\$ (12,318)	\$ 35,616	\$ 16,976	\$ 1,086,126
<u>2,250,804</u>	<u>762,073</u>	<u>165,043</u>	<u>405,049</u>	<u>-</u>	<u>4,238,376</u>
<u>\$ 3,224,529</u>	<u>\$ 818,372</u>	<u>\$ 152,725</u>	<u>\$ 440,665</u>	<u>\$ 16,976</u>	<u>\$ 5,324,502</u>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 6**

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 188,038	\$ 188,038	\$ 186,275	\$ (1,763)
Intergovernmental	14,462	14,462	14,617	155
<b>Total Revenues</b>	<b>\$ 202,500</b>	<b>\$ 202,500</b>	<b>\$ 200,892</b>	<b>\$ (1,608)</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	202,500	202,500	64,350	138,150
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 136,542</b>	<b>\$ 136,542</b>
<b>Fund Balance - January 1</b>	<b>52,562</b>	<b>52,562</b>	<b>52,562</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 52,562</b>	<b>\$ 52,562</b>	<b>\$ 189,104</b>	<b>\$ 136,542</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 7**

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 797,991	\$ 797,991	\$ 809,444	\$ 11,453
Licenses and permits	50,000	50,000	63,314	13,314
Intergovernmental	61,792	61,792	62,454	662
Gifts and contributions	10,000	10,000	4,695	(5,305)
Investment income	-	-	1,496	1,496
Miscellaneous	10,000	10,000	9,866	(134)
<b>Total Revenues</b>	<b>\$ 929,783</b>	<b>\$ 929,783</b>	<b>\$ 951,269</b>	<b>\$ 21,486</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	929,783	991,842	1,051,653	(59,811)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ (62,059)	\$ (100,384)	\$ (38,325)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	43,059	43,059	-
<b>Net Change in Fund Balance</b>	\$ -	\$ (19,000)	\$ (57,325)	\$ (38,325)
<b>Fund Balance - January 1</b>	<b>417,770</b>	<b>417,770</b>	<b>417,770</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 417,770</b>	<b>\$ 398,770</b>	<b>\$ 360,445</b>	<b>\$ (38,325)</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 8**

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 1,913	\$ 1,913
Fines and forfeits	212,259	212,259	182,944	(29,315)
<b>Total Revenues</b>	<b>\$ 212,259</b>	<b>\$ 212,259</b>	<b>\$ 184,857</b>	<b>\$ (27,402)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Law library	212,259	212,259	248,246	(35,987)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (63,389)</b>	<b>\$ (63,389)</b>
<b>Fund Balance - January 1</b>	<b>185,075</b>	<b>185,075</b>	<b>185,075</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 185,075</b>	<b>\$ 185,075</b>	<b>\$ 121,686</b>	<b>\$ (63,389)</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 9**

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Special assessments	\$ 600,430	\$ 600,430	\$ 669,803	\$ 69,373
Charges for services	500,000	500,000	646,061	146,061
Investment income	-	-	20,326	20,326
Miscellaneous	10,000	10,000	9,760	(240)
<b>Total Revenues</b>	<b>\$ 1,110,430</b>	<b>\$ 1,110,430</b>	<b>\$ 1,345,950</b>	<b>\$ 235,520</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	1,110,430	1,114,105	375,900	738,205
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ (3,675)	\$ 970,050	\$ 973,725
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	3,675	3,675	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 973,725</b>	<b>\$ 973,725</b>
<b>Fund Balance - January 1</b>	<b>2,250,804</b>	<b>2,250,804</b>	<b>2,250,804</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,250,804</b>	<b>\$ 2,250,804</b>	<b>\$ 3,224,529</b>	<b>\$ 973,725</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 10**

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Investment income	\$ 10,000	\$ 10,000	\$ 18,428	\$ 8,428
Miscellaneous	60,000	60,000	37,871	(22,129)
<b>Total Revenues</b>	<b>\$ 70,000</b>	<b>\$ 70,000</b>	<b>\$ 56,299</b>	<b>\$ (13,701)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Community development	70,000	70,000	-	70,000
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 56,299</b>	<b>\$ 56,299</b>
<b>Fund Balance - January 1</b>	<b>762,073</b>	<b>762,073</b>	<b>762,073</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 762,073</b>	<b>\$ 762,073</b>	<b>\$ 818,372</b>	<b>\$ 56,299</b>

## **FIDUCIARY FUND**

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Statement 3**

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 3,009,875	\$ 347,124,976	\$ 345,868,506	\$ 4,266,345
<b><u>Liabilities</u></b>				
Accounts payable	\$ 47,534	\$ 535,876	\$ 47,534	\$ 535,876
Due to other governments	2,962,341	346,589,100	345,820,972	3,730,469
<b>Total Liabilities</b>	<b>\$ 3,009,875</b>	<b>\$ 347,124,976</b>	<b>\$ 345,868,506</b>	<b>\$ 4,266,345</b>

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## **OTHER SCHEDULES**

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 11**

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

	<b>2007</b>		<b>2008</b>		<b>2009</b>	
	<b>Amount</b>	<b>Net Tax Capacity Rate (%)</b>	<b>Amount</b>	<b>Net Tax Capacity Rate (%)</b>	<b>Amount</b>	<b>Net Tax Capacity Rate (%)</b>
<b>Tax Capacity</b>						
Real property	\$ 120,840,776		\$ 132,199,915		\$ 138,314,645	
Personal property	1,587,325		1,581,885		1,919,681	
<b>Net Tax Capacity</b>	<b>\$ 122,428,101</b>		<b>\$ 133,781,800</b>		<b>\$ 140,234,326</b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 28,742,382	19.052	\$ 31,795,478	19.632	\$ 34,167,969	19.540
Road and Bridge	6,308,441	5.377	7,307,493	5.709	7,707,737	5.720
Human Services	19,851,981	16.922	21,155,156	16.528	22,960,558	17.039
County Building	139,500	0.119	202,500	0.158	140,000	0.104
County Park	787,499	0.671	859,783	0.672	908,020	0.674
Regional Library	1,942,952	1.656	2,043,656	1.597	2,129,800	1.580
Debt Service	4,783,885	3.692	4,581,878	3.220	4,601,321	3.400
Regional Rail Authority	-	-	230,000	0.180	264,134	0.196
<b>Total Levy for County Purposes</b>	<b>\$ 62,556,640</b>	<b>47.489</b>	<b>\$ 68,175,944</b>	<b>47.696</b>	<b>\$ 72,879,539</b>	<b>48.253</b>
<b>Less Credits Payable by State</b>	<b>6,841,586</b>		<b>7,116,831</b>		<b>7,836,928</b>	
<b>Net Levy Certified to State</b>	<b>\$ 55,715,054</b>		<b>\$ 61,059,113</b>		<b>\$ 65,042,611</b>	
<b>Less Market Value Credits Payable by State</b>	<b>4,381,547</b>		<b>4,399,024</b>		<b>4,347,020</b>	
<b>Net Levy for County Purposes</b>	<b>\$ 51,333,507</b>		<b>\$ 56,660,089</b>		<b>\$ 60,695,591</b>	
<b>Percentage of Tax Collections for All Purposes</b>	<b>98.40%</b>		<b>98.01%</b>		<b>N/A</b>	

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
(ACCRUAL BASIS)  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2008**

Assets				
	Cash and Pooled Investments	Special Assessments Receivable		Total
		Delinquent	Deferred	
<b>Judicial Ditches</b>				
1 Grove Lake	\$ 196	\$ -	\$ -	\$ 196
3	(518)	-	-	(518)
<b>County Ditches</b>				
8	38,180	-	-	38,180
9	15,353	-	-	15,353
17	1,872	-	-	1,872
29	8,833	-	-	8,833
32	68,042	13	-	68,055
37	3,965	-	-	3,965
50	456	-	-	456
51	16,346	-	10,833	27,179
<b>Total</b>	<b>\$ 152,725</b>	<b>\$ 13</b>	<b>\$ 10,833</b>	<b>163,571</b>
<b>Reconcilement</b>				
Add (Deduct)	-	-	-	-
<b>Modified Accrual Per Statement 1</b>	<b>\$ 152,725</b>	<b>\$ 13</b>	<b>\$ 10,833</b>	<b>\$ 163,571</b>

**Schedule 12**

<b>Liabilities</b>				
<b>Deferred Revenue</b>	<b>General Obligation Bonds Payable</b>	<b>Total</b>	<b>Undesignated Fund Balance</b>	<b>Total Liabilities and Fund Balance</b>
\$ -	\$ 714	\$ 714	\$ (518)	\$ 196
-	428	428	(946)	(518)
-	5,014	5,014	33,166	38,180
-	2,226	2,226	13,127	15,353
-	2,620	2,620	(748)	1,872
-	-	-	8,833	8,833
-	7,328	7,328	60,727	68,055
-	-	-	3,965	3,965
-	1,670	1,670	(1,214)	456
-	-	-	27,179	27,179
\$ -	\$ 20,000	\$ 20,000	\$ 143,571	\$ 163,571
10,846	(20,000)	(9,154)	9,154	-
<b>\$ 10,846</b>	<b>\$ -</b>	<b>\$ 10,846</b>	<b>\$ 152,725</b>	<b>\$ 163,571</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 13**

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

**Shared Revenue**

**State**

Highway users tax	\$ 8,477,460
County program aid	5,975,348
Market value credit	4,423,082
PERA rate reimbursement	145,954
Disparity reduction aid	46,952
Police aid	402,634
Enhanced 911	253,256
	<hr/>

<b>Total Shared Revenue</b>	<b>\$ 19,724,686</b>
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**Reimbursement for Services**

Minnesota Department of Human Services	\$ 1,884,938
	<hr/>

**Payments**

**Local**

Payments in lieu of taxes	\$ 131,353
Local share of construction	1,235,608
Other contributions	50,000
	<hr/>

<b>Total Payments</b>	<b>\$ 1,416,961</b>
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**Grants**

**State**

Minnesota Department/Board of	
Corrections	\$ 2,829,500
Public Safety	22,447
Transportation	256,116
Health	472,339
Natural Resources	30,910
Human Services	5,316,717
Veterans Affairs	56,454
Water and Soil Resources	466,587
Pollution Control Agency	494,174
Peace Officer Standards and Training Board	25,234
	<hr/>

<b>Total State</b>	<b>\$ 9,970,478</b>
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**Federal**

Department of	
Agriculture	\$ 1,415,539
Justice	79,343
Transportation	3,553,920
Health and Human Services	7,338,355
Homeland Security	212,784
	<hr/>

<b>Total Federal</b>	<b>\$ 12,599,941</b>
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<b>Total State and Federal Grants</b>	<b>\$ 22,570,419</b>
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<b>Total Intergovernmental Revenue</b>	<b>\$ 45,597,004</b>
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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 14**

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

Special Supplemental Nutrition Program for Women, Infants, and Children	CFDA #10.557
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA #10.561
Child Support Enforcement	CFDA #93.563
Child Care Cluster	
Development Block Grant	CFDA #93.575
Mandatory and Matching Funds of the Child Care and Development Fund	CFDA #93.596
Medical Assistance Program	CFDA #93.778

H. The threshold for distinguishing between Types A and B programs was \$380,211.

I. Stearns County was determined to be a low-risk auditee.

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

**INTERNAL CONTROL**

**PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

**96-6 Departmental Internal Accounting Controls**

Due to the limited number of office personnel within the various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Offices that do not have sufficient segregation of duties include Sheriff, Jail, Environmental Services, and Parks. These offices may have only one employee to receive and account for departmental collections. This is not unusual in small departmental situations; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

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

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

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

- Departmental collections should be remitted to the County Auditor-Treasurer more frequently than once each month, perhaps weekly or even daily, to reduce the amount of funds on hand.
- Department heads should monitor operations within their office to determine that reports are submitted properly and are in agreement with cash balances and grant expenditures.
- When an office has only a department head and one other employee, the department head should perform some of the accounting functions.

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

Client's Response:

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

02-1 Preparation of Financial Statements

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

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

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

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

Client's Response:

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

06-1 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified the following material adjustments:

- Receivables in the Road and Bridge Special Revenue Fund were increased by \$4,019,965 for state-aid highway project allotments and state and federal grants. At the fund level, the additional receivables were offset by deferred revenue in the amount of \$2,819,761 for receivables not available during the revenue recognition period. This entry also increased receivables and revenues in the government-wide financial statements.
- Contracts payable and related expenditures were increased by \$139,589 in the Road and Bridge Special Revenue Fund.
- Receivables in the Capital Projects Fund were increased by \$52,745. At the fund level, the additional receivables were offset by deferred revenue for receivables not available during the revenue recognition period. This entry also increased receivables and revenues in the government-wide financial statements.

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

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

Client's Response:

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

07-1 Accounting Policies and Procedures

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

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

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

Client's Response:

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

07-2 Segregation of Duties - Vendor Setup

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

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

Client's Response:

*As stated previously, the County is in the process of establishing an accounting policies and procedures manual. The manual would address this finding. However, the County is also in the process of installing a new version of accounting software that will assist in this area because of workflow capabilities that can be assigned to specific individuals that would have oversight in this area. However, there already exists a segregation of duties since the Treasurer's Office reviews the payments and cuts the checks and they do not enter the vendors into the A/P financial system.*



07-3 Controls Over Accounting System Journal Entries

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

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

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

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

Client's Response:

*As stated previously, the County is in the process of establishing an accounting policies and procedures manual. The manual would address this finding. However, the County is also in the process of installing a new version of accounting software that will assist in this area because of workflow capabilities that can be assigned to specific individuals that would have oversight in this area. However, until the new financial system is implemented, general journal entries now contain information on them as to who created the journal, who approved the journal and who entered the journal. This information will now provide a better audit trail of who did what in the future.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Jail Inmate Account Bank Reconciliation (07-4)**

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

**Resolution**

During 2008, the County Jail received an upgrade to the automated system which corrected the problem. Bank reconciliations are now being completed on a timely basis.

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

**INTERNAL CONTROL**

**PREVIOUSLY REPORTED ITEM RESOLVED**

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

In our previous audit, we reviewed a representative sample of 40 Child Care participant files and noted five instances of case files missing contracts with the vendors. These case files contained no explanation documenting why the vendor contracts were missing. We also noted two instances of case files not including evidence that an applicant was offered an opportunity to sign an information release form, which permits the County to verify whether the applicant qualifies for Child Care assistance.

**Resolution**

For all Child Care participant case files reviewed during the current audit, we noted no instances of files missing contracts or release forms.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

08-1 Safekeeping of Investments

Investments are required by Minn. Stat. § 118A.06 to be held in safekeeping with:

- a federal reserve bank;
- any bank authorized under the laws of the United States or any state to exercise corporate trust powers including, but not limited to, the bank from which the investment is purchased;
- a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; or
- a securities broker-dealer having its principle executive office in Minnesota licensed under chapter 80A, or an affiliate of it, and regulated by the Securities and Exchange Commission.

Stearns County has securities on hand at December 31, 2008, with Morgan Keegan totaling \$3,303,781. This firm is not a primary reporting dealer nor does it have its principal offices in Minnesota. The investments for this broker are being held through the Depository Trust Company or by the brokerage firm's trust departments. Therefore, we do not believe these investments are being safekept in accordance with Minn. Stat. § 118A.06.

We recommend the County Auditor-Treasurer comply with the requirements of Minn. Stat. § 118A.06. Investments may be held only by brokerage firms that are primary reporting dealers or have their principal offices in Minnesota. If investments are purchased through these dealers, they must be held at a bank rather than at the brokerage firm.

Client's Response:

*We intend to move the current investments not meeting statute to another place or broker so that we are in compliance.*

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REBECCA OTTO  
STATE AUDITOR

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

Board of County Commissioners  
Stearns County

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stearns County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 17, 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 Housing and Redevelopment Authority (HRA) of Stearns County, the discretely presented component unit, for the year ended June 30, 2008, as described in our report on Stearns County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

#### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-6, 02-1, 06-1, and 07-1 through 07-3 to be significant deficiencies in internal control over financial reporting.

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

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

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

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

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

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

Stearns 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, audit committee, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 17, 2009

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

Board of County Commissioners  
Stearns County

#### Compliance

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

Stearns County's financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Stearns County component unit, which expended \$1,384,070 in federal awards during the year ended June 30, 2008. This amount is not included in the County's Schedule of Expenditures of Federal Awards for the year ended December 31, 2008. Our audit, described below, did not include the operations of the HRA of Stearns County because it had a separate Single Audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Stearns County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

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

#### Internal Control Over Compliance

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

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 Stearns County's internal control.

Our consideration of 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stearns County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 17, 2009. We did not audit the financial statements of the HRA of Stearns County discretely presented component unit for the year ended June 30, 2008. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

December 17, 2009

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 15**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 407,144
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	1,008,395
<b>Total U.S. Department of Agriculture</b>		<b>\$ 1,415,539</b>
<b>U.S. Department of Justice</b>		
Direct		
State Criminal Alien Assistance Program	16.606	\$ 32,013
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14,001
Passed Through Minnesota Department of Public Safety		
Juvenile Accountability Block Grant	16.523	8,056
Crime Victim Assistance	16.575	1,433
Edward Byrne Memorial Formula Grant Program	16.579	7,766
Edward Byrne Memorial Justice Assistance Grant Program	16.738	16,074
<b>Total U.S. Department of Justice</b>		<b>\$ 79,343</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 3,325,138
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	40,392
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	64,225
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	59,849
<b>Total U.S. Department of Transportation</b>		<b>\$ 3,489,604</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 15  
(Continued)**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Central Minnesota Council on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 4,774
Passed Through Minnesota Department of Health Immunization Grant	93.268	35,738
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	153,175
Temporary Assistance for Needy Families (TANF)	93.558	196,429
Maternal and Child Health Services Block Grant	93.994	136,041
Passed Through Minnesota Department of Human Services Projects for Assistance in Transition from Homelessness (PATH)	93.150	34,687
Promoting Safe and Stable Families	93.556	24,616
Temporary Assistance for Needy Families (TANF)	93.558	1,129,648
Child Support Enforcement	93.563	1,822,396
Refugee and Entrant Assistance - State Administered Programs	93.566	7,766
Child Care Cluster Child Care and Development Block Grant	93.575	779,285
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	456,602
Child Welfare Services	93.645	28,949
Foster Care (Title IV-E)	93.658	222,535
Social Services Block Grant	93.667	619,316
Chafee Foster Care Independence Program	93.674	5,707
Medical Assistance Program	93.778	1,808,843
Block Grants for Community Mental Health Services	93.958	9,918
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 7,476,425</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 9,988
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	61,104
Homeland Security Grant Program	97.067	141,692
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 212,784</b>
<b>Total Federal Awards</b>		<b>\$ 12,673,695</b>

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 15**  
**(Continued)**

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

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the County. The County's reporting entity is defined in Note 1 to the basic financial statements. This schedule does not include \$1,384,070 of federal awards expended by the Housing and Redevelopment Authority of Stearns County, a component unit.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Due to timing differences in revenue recognition under the modified accrual basis, expenditures on this schedule do not match the federal revenues reported in the financial statements as follows:

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 12,599,941
Medical Assistance Program grant received more than 60 days after year-end	138,070
Highway Planning and Construction grant received more than 60 days after year-end	339,221
Highway Planning and Construction grant deferred in 2007 and recognized in 2008	<u>(403,537)</u>
<b>Expenditures Per Schedule of Expenditures of Federal Awards</b>	<b><u>\$ 12,673,695</u></b>

3. During 2008, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.