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STATE AUDITOR

STATE OF MINNESOTA

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August 27, 2013

Board of County Commissioners
Chisago County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County as of and for the year ended December 31, 2012. Professional standards require that we provide you with information about our responsibilities under 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 the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our meeting about planning matters on February 6, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards and Office of Management and Budget (OMB) Circular A-133

As stated in our engagement letter dated January 4, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Chisago County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Chisago County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Chisago County's compliance with those requirements.

Other Information in Documents Containing Audited Financial Statements

The financial statements of Chisago County include information in the other information section and statistical section not audited by us. We read the other information and statistical tables and did not identify any material inconsistencies with the financial statements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Chisago County are described in Note 1 to the financial statements. In 2012, the County implemented the requirements of a new accounting pronouncement, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information were the fair value of the County's investments, the estimated useful lives of capital assets, the year-end liability for compensated absences, and the year-end liability for other postemployment benefits (OPEB).

Management's estimate of the fair value of County investments is determined through existing market conditions. The estimate for useful lives of capital assets is based on past experience with replacement of worn assets and industry averages. The year-end liability for compensated absences is partially calculated from sick time that has either vested or is expected to vest. The year-end liability for OPEB is based on an actuarial study of health care benefits for retirees. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements of each opinion unit.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management's representation letter dated August 26, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the County’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

* * *

This information is intended solely for the use of the Board of County Commissioners and management of Chisago County 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

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CHISAGO COUNTY
CENTER CITY, MINNESOTA

YEAR ENDED DECEMBER 31, 2012

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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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Year Ended December 31, 2012



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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE OF CONTENTS

| | <u>Reference</u> | <u>Page</u> |
|--|------------------|-------------|
| Introductory Section | | |
| Organization | | 1 |
| Financial Section | | |
| Independent Auditor's Report | | 2 |
| Management's Discussion and Analysis | | 6 |
| Basic Financial Statements | | |
| Government-Wide Financial Statements | | |
| Statement of Net Position | Exhibit 1 | 18 |
| Statement of Activities | Exhibit 2 | 19 |
| Fund Financial Statements | | |
| Governmental Funds | | |
| Balance Sheet | Exhibit 3 | 21 |
| Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position--Governmental Activities | Exhibit 4 | 25 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | Exhibit 5 | 26 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities | Exhibit 6 | 30 |
| Budgetary Comparisons | | |
| General Fund | Exhibit 7 | 31 |
| Road and Bridge Special Revenue Fund | Exhibit 8 | 34 |
| Human Services Special Revenue Fund | Exhibit 9 | 35 |
| Statement of Fiduciary Net Position | Exhibit 10 | 36 |
| Notes to the Financial Statements | | 37 |
| Required Supplementary Information | | |
| Schedule of Funding Progress - Other Postemployment Benefits | Exhibit A-1 | 90 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE OF CONTENTS

| | Reference | Page |
|--|-------------|------|
| Financial Section (Continued) | | |
| Combining and Individual Fund Statements and Schedules | | |
| Debt Service Fund Budgetary Comparison | Exhibit B-1 | 91 |
| Nonmajor Governmental Funds | | 92 |
| Combining Balance Sheet | Exhibit C-1 | 93 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance | Exhibit C-2 | 94 |
| Budgetary Comparisons | | |
| Parks Special Revenue Fund | Exhibit C-3 | 95 |
| Ditch Special Revenue Fund | Exhibit C-4 | 96 |
| Lake Improvement District Special Revenue Fund | Exhibit C-5 | 97 |
| Solid Waste Special Revenue Fund | Exhibit C-6 | 98 |
| Agency Funds | | 99 |
| Combining Statement of Changes in Assets and Liabilities - All Agency Funds | Exhibit D-1 | 100 |
| Supporting Schedules | | |
| Balance Sheet - By Ditch - Ditch Special Revenue Fund | Exhibit E-1 | 104 |
| Schedule of Intergovernmental Revenue | Exhibit E-2 | 106 |
| Schedule of Expenditures of Federal Awards | Exhibit E-3 | 108 |
| Notes to the Schedule of Expenditures of Federal Awards | | 110 |
| Other Information Section | | |
| Tax Capacity, Tax Rates, Levies, and Percentage of Collections | Exhibit F-1 | 112 |
| Statistical Section | | |
| Table Summary | | 114 |
| Net Position by Component | Table 1 | 115 |
| Changes in Net Position | Table 2 | 116 |
| Fund Balances of Governmental Funds | Table 3 | 118 |
| Changes in Fund Balances, Governmental Funds | Table 4 | 120 |
| Net Tax Capacity and Estimated Market Value of Taxable Property | Table 5 | 124 |
| Direct and Overlapping Property Tax Rates | Table 6 | 126 |
| Principal Property Tax Payers | Table 7 | 128 |
| Property Tax Levies and Collections | Table 8 | 129 |
| Ratios of Outstanding Debt by Type | Table 9 | 131 |
| Ratios of Net General Bonded Debt Outstanding | Table 10 | 132 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE OF CONTENTS

| | <u>Reference</u> | <u>Page</u> |
|---|------------------|-------------|
| Statistical Section (Continued) | | |
| Computation of Direct and Overlapping Debt | Table 11 | 133 |
| Legal Debt Margin Information | Table 12 | 134 |
| Demographic and Economic Statistics | Table 13 | 135 |
| Principal Employers | Table 14 | 136 |
| Full-Time Equivalent County Government Employees by Function | Table 15 | 137 |
| Operating Indicators by Function | Table 16 | 139 |
| Capital Assets Statistics by Function | Table 17 | 141 |
| Management and Compliance Section | | |
| Schedule of Findings and Questioned Costs | | 143 |
| 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 | | 150 |
| Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance | | 153 |

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**ORGANIZATION
2012**

| Office | Name | Term of Office | |
|---------------------------------------|-----------------------------|----------------|---------------|
| | | From | To |
| Commissioners | | | |
| 1st District | Lora Walker | January 2009 | January 2013 |
| 2nd District | Rick Greene | January 2011 | January 2015 |
| 3rd District | George McMahon ¹ | January 2009 | January 2013 |
| 4th District | Ben Montzka | January 2011 | January 2015 |
| 5th District | Mike Robinson | January 2009 | January 2013 |
| Officers | | | |
| Elected | | | |
| Attorney | Janet Reiter | January 2011 | January 2015 |
| Auditor | Dennis Freed | January 2011 | January 2015 |
| Sheriff | Rick Duncan | January 2011 | January 2015 |
| Treasurer | Lee Olson | January 2011 | January 2015 |
| Appointed | | | |
| Administrator | Bruce Messelt | | Indefinite |
| Assessor | John Keefe | January 2009 | December 2012 |
| Medical Examiner | Lindsey C. Thomas | January 2011 | December 2012 |
| Health and Human Services Director | Nancy Dahlin | | Indefinite |
| Highway Engineer | Joe Triplett | May 2009 | April 2013 |
| Probation Director | Steven Paquay | | Indefinite |
| Recorder/Registrar of Titles | Lee Olson | | Indefinite |
| Surveyor | Paul Gibson | May 2012 | April 2016 |
| Veterans Service Officer | Al Budde | January 2011 | January 2015 |
| Zoning Administrator | Mary Schmitz | | Indefinite |
| Appointed by the State | | | |
| Court Administrator | Kathleen Karnowski | | Indefinite |

¹Chair 2012

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Chisago County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority (HRA-EDA), the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chisago County HRA-EDA, is based solely upon the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County as of December 31, 2012, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chisago County's basic financial statements. The introductory section, the combining and individual fund statements and schedules, the other information section, and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, the other information section, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2013, on our consideration of Chisago County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering Chisago County's internal control over financial reporting and compliance. It does not include the Chisago County HRA-EDA, which was audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

August 26, 2013

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(Unaudited)**

As management of Chisago County, we offer readers of the Chisago County financial statements this narrative overview and analysis of the financial activities of Chisago County for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets of Chisago County exceeded its liabilities by approximately \$152.9 million at the close of 2012. Of this amount, \$27.4 million, or 17.9 percent, (unrestricted net position) may be used to meet Chisago County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$10.2 million to \$152.9 million, or 7.1 percent.
- The County's governmental funds reported combined ending fund balances of \$43.3 million, a decrease of \$4.6 million from the previous year-end balance. This is primarily due to spending on the 800 MHz project and on road projects advance funded in 2011. Of this amount, \$30.3 million, or 69.9 percent, is available for spending at the County's discretion (committed, assigned, and unassigned fund balances). The committed or assigned for specific purposes portion makes up \$17.5 million.
- At the close of 2012, unrestricted fund balance for the General Fund was \$17.1 million, or 76.2 percent, of total General Fund expenditures.
- Chisago County's bonds and notes payable increased by \$2.4 million, or 4.9 percent, during 2012. Chisago County issued \$26.0 million in general obligation refunding debt and retired/refunded \$23.6 million in general obligation debt and capital notes.
- The County's net capital assets increased \$11.4 million as the County completed road construction projects, the communication center, and installation of the 800 MHz radio system.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

The County's government-wide financial statements also include the legally separate entity called the Chisago County Housing and Redevelopment Authority Economic Development Authority (HRA-EDA). Although legally separate, this entity is fiscally dependent on Chisago County. Financial information for this entity, a discretely presented component unit, is reported separately from the financial information of the primary government, Chisago County.

Fund Level Financial Statements

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

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

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

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

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

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund level financial statements.

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

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

Government-Wide Financial Analysis

Over time, net position serves as a useful indicator of the County’s financial position. Chisago County’s assets exceeded liabilities by \$152.9 million at the close of 2012. The largest portion of Chisago County’s net position (75.2 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

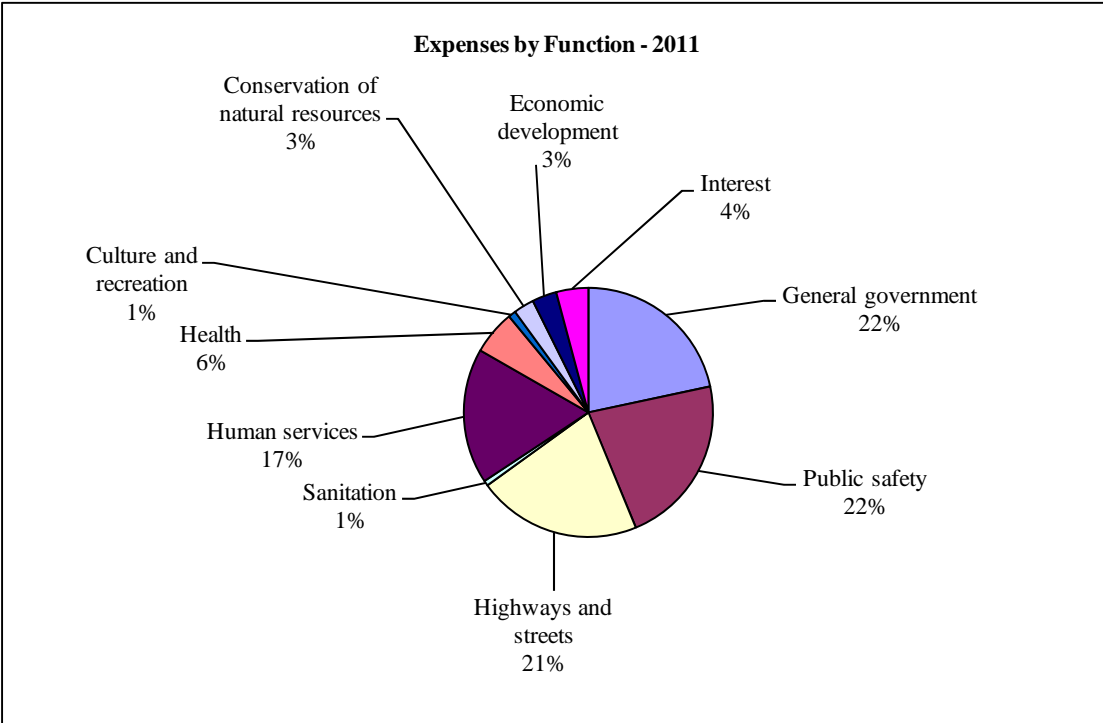
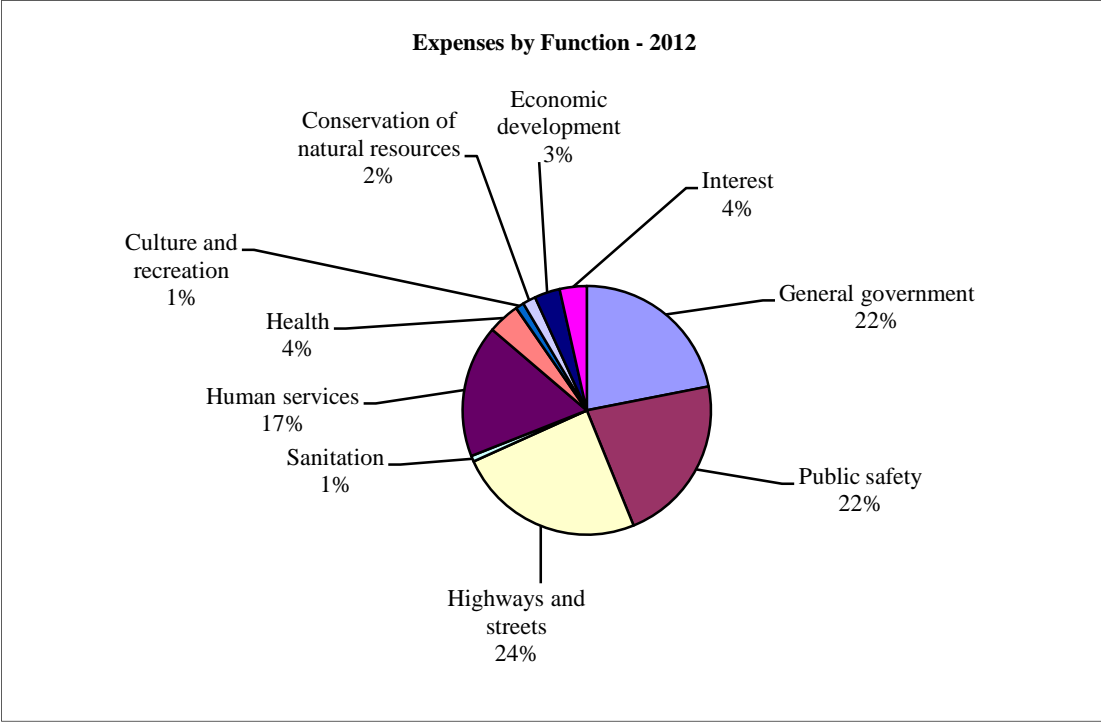
Governmental Net Position

| | <u>2012</u> | <u>2011</u> |
|-----------------------------------|-----------------------|-----------------------|
| Current and other assets | \$ 48,814,284 | \$ 54,019,757 |
| Capital assets | <u>164,074,949</u> | <u>152,663,387</u> |
| Total Assets | <u>\$ 212,889,233</u> | <u>\$ 206,683,144</u> |
| Long-term liabilities outstanding | \$ 56,413,253 | \$ 59,880,986 |
| Other liabilities | <u>3,527,165</u> | <u>4,019,517</u> |
| Total Liabilities | <u>\$ 59,940,418</u> | <u>\$ 63,900,503</u> |
| Net Position | | |
| Net investment in capital assets | \$ 114,962,493 | \$ 112,327,612 |
| Restricted | 10,571,003 | 18,449,046 |
| Unrestricted | <u>27,415,319</u> | <u>12,005,983</u> |
| Total Net Position | <u>\$ 152,948,815</u> | <u>\$ 142,782,641</u> |

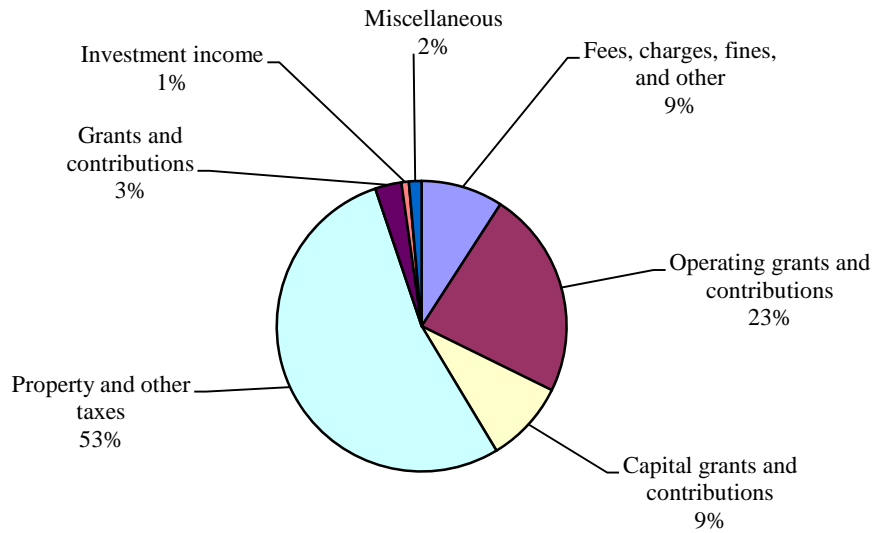
The restricted portion of net position totaling \$10.6 million represents resources whose use is restricted by external requirements such as debt covenants and legislation. The restricted net position decreased by \$7.9 million. The decrease is due to the restrictions for the 800 MHz radio tower project which was spent down \$5.4 million, and for advance funding for state aid roads of \$2.5 million which was spent in 2012. The unrestricted net position of \$27.4 million as of December 31, 2012, may be used to meet the County's ongoing obligations to citizens and creditors. Chisago County's activities increased net position by \$10.2 million, or 7.1 percent, over the 2011 net position.

Changes in Net Position

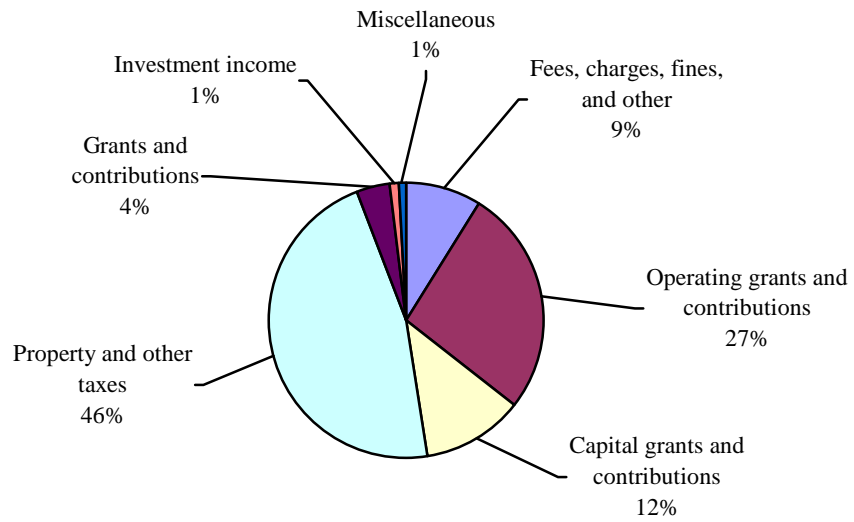
| | 2012 | 2011 |
|------------------------------------|----------------|----------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 5,576,454 | \$ 5,951,883 |
| Operating grants and contributions | 14,092,488 | 17,574,820 |
| Capital grants and contributions | 5,551,798 | 7,841,697 |
| General revenues | | |
| Property taxes | 32,170,052 | 30,418,914 |
| Other | 3,573,477 | 4,190,416 |
| Total Revenues | \$ 60,964,269 | \$ 65,977,730 |
| Expenses | | |
| General government | \$ 11,130,866 | \$ 10,695,966 |
| Public safety | 11,140,810 | 10,924,587 |
| Highways and streets | 12,401,875 | 10,509,001 |
| Sanitation | 385,494 | 327,024 |
| Human services | 8,748,237 | 8,679,096 |
| Health | 2,101,501 | 2,834,449 |
| Culture and recreation | 552,993 | 475,769 |
| Conservation of natural resources | 860,392 | 1,312,231 |
| Economic development | 1,688,537 | 1,581,637 |
| Interest | 1,787,390 | 2,053,550 |
| Total Expenses | \$ 50,798,095 | \$ 49,393,310 |
| Increase in Net Position | \$ 10,166,174 | \$ 16,584,420 |
| Net Position, January 1 | 142,782,641 | 126,198,221 |
| Net Position, December 31 | \$ 152,948,815 | \$ 142,782,641 |



Revenues by Source - 2012

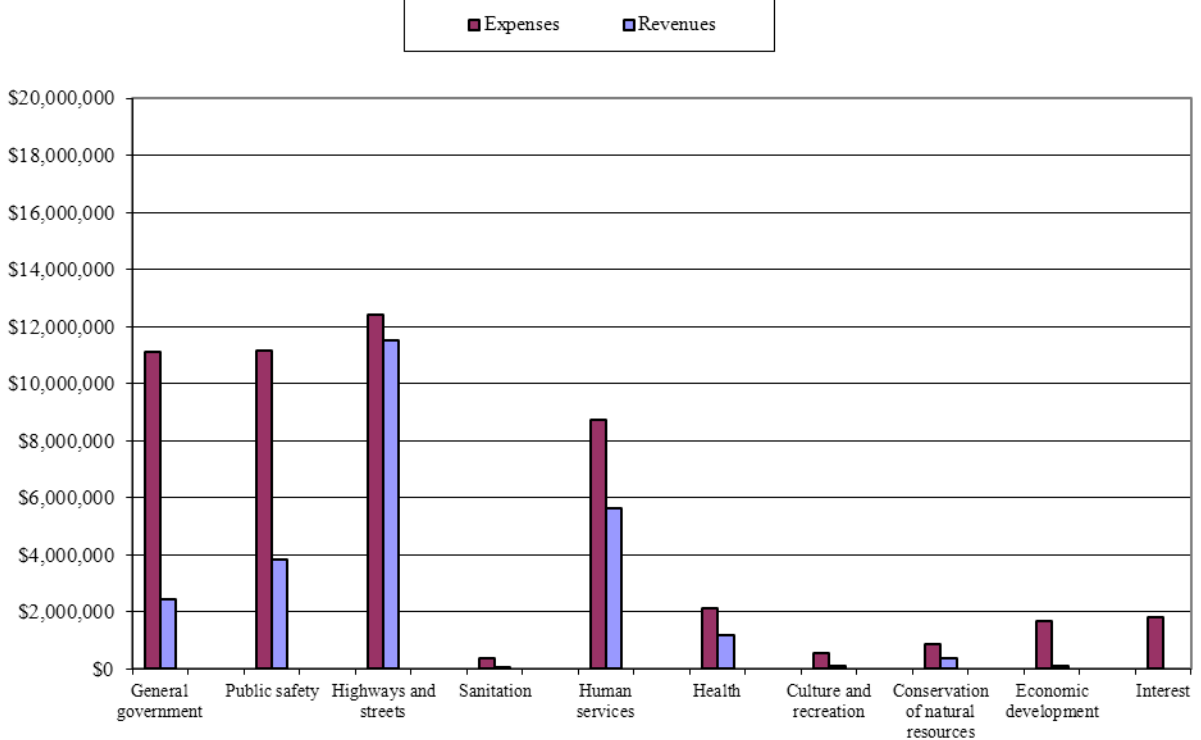


Revenues by Source - 2011

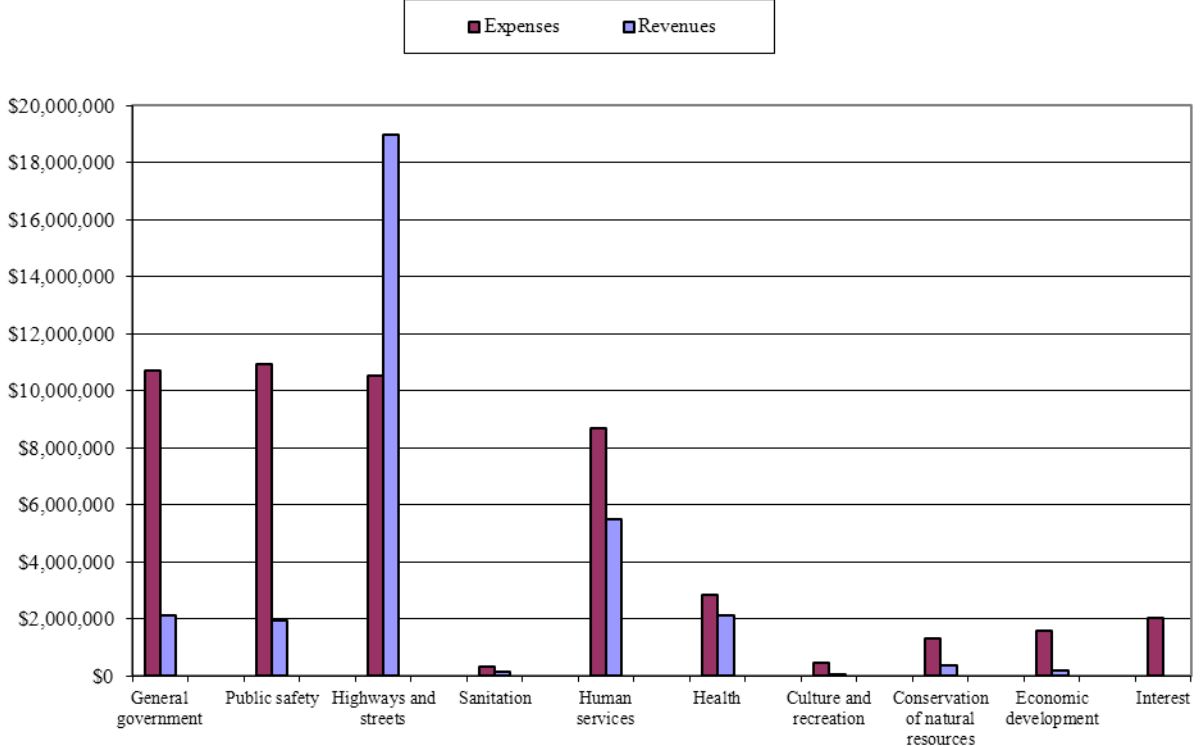


(Unaudited)

Expenses and Program Revenues - 2012



Expenses and Program Revenues - 2011



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$43.3 million. This is a decrease of \$4.6 million (9.6 percent) in comparison with the prior year. Primarily, this is the result of the County Capital Projects Fund decrease of \$6.3 million on 800 MHz project spending, the Road and Bridge Special Revenue Fund decrease of \$3.1 million due to road project spending, offset by an increase, mostly in the General Fund, of \$4.8 million due to unbudgeted revenue items and not spending budgeted expenditures. Of the total fund balance, \$2.5 million (5.7 percent) is nonspendable, such as inventory, and \$10.6 million (24.4 percent) is restricted in its use by external parties. The remaining balance, \$30.3 million (69.9 percent) of unrestricted fund balance is available for spending at the County's discretion.

The General Fund is the chief operating fund of Chisago County. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$17.1 million. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 76.2 percent of total General Fund expenditures. In 2012, ending fund balance in the General Fund increased by \$4.6 million (30 percent). The largest drivers of this were receiving unbudgeted county program aid, a one-time Minnesota Counties Intergovernmental Trust (MCIT) dividend, East Central Solid Waste Commission surplus dividends, and not spending budgeted contingency and information systems costs.

On May 2, 2012, the County Board approved the revision to the 2011/2012 Capital Plan approved in September 2011. The revision relates to the receipt of the 2012 county program aid noted above. Various commitments of fund balance were made to affect how this county program aid is to be spent by specific project.

In addition to its ongoing operating costs, the County expended \$600,000 from the General Fund to purchase Sheriff's vehicles, repair the government center, and make other capital expenditures. These capital acquisitions were funded using federal grants, insurance reimbursements, levy, and some committed fund balance.

The Road and Bridge Special Revenue Fund's unrestricted fund balance of \$2.6 million at year-end represents 13.4 percent of the Road and Bridge expenditures. In 2012, the total fund balance decreased by \$3.1 million (42.6 percent) from the prior year due to spending of 2011 advance state aid (\$2.5 million), bond proceeds (\$300,000), and a small amount of fund balance on road and bridge projects.

The Human Services Special Revenue Fund's unrestricted fund balance of \$9.4 million at year-end represents 85.1 percent of Human Services expenditures. In 2012, the total fund balance stayed virtually the same at \$9.4 million when compared to 2011.

General Fund Budgetary Highlights

The difference between the General Fund's original revenue budget and the final amended budget totaled a \$2.0 million net increase. This increase is due to receiving \$1.3 million in County Program Aid, \$200,000 for the subscriber radio agreement fees, and various other new state and federal grants not in the original budget. The difference between the General Fund's original expenditure budget and the final amended budget totaled a \$1.0 million net increase. This difference is due to a carryover of \$250,000 of 2011 unexpended budgeted amounts, \$750,000 additional expenditures for state and federal grants received, and spending on the 2011/2012 Capital Plan. Actual revenues were more than final budgeted revenues by \$1.3 million due to receiving one-time surplus dividends (\$700,000) from MCIT and the East Central Solid Waste Commission, and favorable variances in interest income, penalties and interest, and various intergovernmental revenues. Actual expenditures were less than final budgeted expenditures by \$2.4 million due to \$1.2 million in unused contingency funds and current year expenditure favorability in the MICS Department (\$700,000), Recorder's Office technology expenditures, payroll, and various other general government areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2012, totaled \$164.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$11.4 million, or 7.5 percent, from the previous year. The major events affecting this increase were the capitalization of infrastructure and new construction in progress for County road construction costs. Also completed were the Sheriff Department's communication center and 800 MHz radio system project.

**Capital Assets
(Net of Depreciation)**

| | 2012 | 2011 |
|-------------------------------------|----------------|----------------|
| Land | \$ 2,613,277 | \$ 2,613,277 |
| Construction in progress | 13,487,095 | 16,727,846 |
| Buildings | 16,779,630 | 14,480,148 |
| Machinery, furniture, and equipment | 5,587,765 | 4,181,395 |
| Computer software | 665,976 | - |
| Infrastructure | 124,941,206 | 114,660,721 |
| Total | \$ 164,074,949 | \$ 152,663,387 |

Long-Term Debt

At the end of the current fiscal year, the County had total bonds and notes outstanding of \$52.3 million, which was backed by the full faith and credit of the government.

Outstanding Debt

| | 2012 | 2011 |
|--------------------------|---------------|---------------|
| General obligation bonds | \$ 51,750,000 | \$ 49,130,000 |
| Capital notes | 565,000 | 740,000 |
| Total Long-Term Debt | \$ 52,315,000 | \$ 49,870,000 |

The County's debt related to general obligation bonds and notes increased by \$2.4 million (4.9 percent). This is a direct result of issuing \$26.0 million of general obligation refunding bonds to retire and defease \$20.9 million in general obligation debt and to pay off a capital lease. Other scheduled debt service payments made were \$2.7 million.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2012, Chisago County was well below the three-percent debt limit imposed by state statutes.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Per the Bureau of Labor Statistics, Chisago County's average unemployment rate was 6.7 percent for 2012, reflecting a 1.2 percent decrease from last year's adjusted rate. The statewide average rate was 5.6 percent, and the national average rate was 8.1 percent.
- Chisago County's tax base has declined 6.9 percent for the 2013 levy from 2012 as a result of the economic climate. The prior year showed a 5.2 percent decrease. Housing prices have been negatively impacted but appear to have stabilized.
- At the end of 2012, Chisago County approved its 2013 revenue and expenditure budgets. The 2013 levy was cut by \$271,000, or 0.85 percent, from the 2012 levy. For the three consecutive years prior to 2013, the property tax levy reflected a zero percent increase over the previous year due to existing economic conditions and its impact on taxpayers. Although County Program Aid (CPA) was paid in 2012, and may be paid by the state for 2013, the County Commissioners conservatively budgeted CPA at zero for 2013.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

| | Primary Government Governmental Activities | HRA-EDA Discretely Presented Component Unit |
|--|---|--|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 41,245,566 | \$ 2,937,831 |
| Receivables - net | 5,859,873 | 186,037 |
| Inventories | 1,187,002 | - |
| Prepaid items | 95,234 | 13,771 |
| Deferred charges | 426,609 | - |
| Land held for resale | - | 3,158,322 |
| Capital assets | | |
| Non-depreciable capital assets | 16,100,372 | 243,181 |
| Depreciable capital assets - net of accumulated depreciation | 147,974,577 | 5,114,601 |
| Total Assets | \$ 212,889,233 | \$ 11,653,743 |
| <u>Liabilities</u> | | |
| Accounts payable | \$ 2,564,782 | \$ 18,428 |
| Accrued interest payable | 580,201 | 2,473 |
| Due to other governments | 330,466 | 4,910 |
| Security deposits | - | 53,627 |
| Unearned revenue | 51,716 | 10,000 |
| Long-term liabilities | | |
| Due within one year | 4,492,937 | 42,417 |
| Due in more than one year | 51,920,316 | 7,426,237 |
| Total Liabilities | \$ 59,940,418 | \$ 7,558,092 |
| <u>Net Position</u> | | |
| Net investment in capital assets | \$ 114,962,493 | \$ 1,158,580 |
| Restricted for | | |
| General government | 1,450,200 | - |
| Public safety | 251,359 | - |
| Highways and streets | 340,192 | - |
| Culture and recreation | 485,661 | - |
| Conservation of natural resources | 289,540 | - |
| Sanitation | 1,189,541 | - |
| Capital projects | 1,692,764 | - |
| Debt service | 4,744,030 | - |
| Ditch maintenance | 127,716 | - |
| Unrestricted | 27,415,319 | 2,937,071 |
| Total Net Position | \$ 152,948,815 | \$ 4,095,651 |

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

Page 18

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Expenses | Fees, Charges, Fines, and Other |
|---|----------------------|--|
| <u>Functions/Programs</u> | | |
| Primary government | | |
| Governmental activities | | |
| General government | \$ 11,130,866 | \$ 2,300,478 |
| Public safety | 11,140,810 | 1,400,387 |
| Highways and streets | 12,401,875 | 82,258 |
| Sanitation | 385,494 | 33,978 |
| Human services | 8,748,237 | 970,074 |
| Health | 2,101,501 | 334,925 |
| Culture and recreation | 552,993 | 42,365 |
| Conservation of natural resources | 860,392 | 302,160 |
| Economic development | 1,688,537 | 109,829 |
| Interest | 1,787,390 | - |
| Total Primary Government | \$ 50,798,095 | \$ 5,576,454 |
| Component Unit | | |
| Housing and Redevelopment Authority - Economic Development Authority (HRA-EDA) | \$ 1,118,863 | \$ 995,480 |

General Revenues

Property taxes
Gravel taxes
Mortgage registry and deed tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Gain on disposal of capital assets
Insurance dividends

Total general revenues

Change in net position

Net Position - Beginning, as restated (Note 6.D.)

Net Position - Ending

EXHIBIT 2

| Program Revenues | | Net (Expense) Revenue and Changes in Net Position | |
|---|---|--|--|
| Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities | HRA-EDA Discretely Presented Component Unit |
| \$ 64,983 | \$ 92,921 | \$ (8,672,484) | |
| 2,443,015 | - | (7,297,408) | |
| 6,012,897 | 5,405,074 | (901,646) | |
| - | - | (351,516) | |
| 4,646,471 | - | (3,131,692) | |
| 858,493 | - | (908,083) | |
| - | 53,803 | (456,825) | |
| 66,629 | - | (491,603) | |
| - | - | (1,578,708) | |
| - | - | (1,787,390) | |
| \$ 14,092,488 | \$ 5,551,798 | \$ (25,577,355) | |
| \$ 69,580 | \$ - | | \$ (53,803) |
| | | \$ 32,170,052 | \$ 520,740 |
| | | 56,511 | - |
| | | 46,947 | - |
| | | 311,867 | - |
| | | 1,790,042 | - |
| | | 502,861 | 6,617 |
| | | 93,633 | - |
| | | 771,616 | - |
| | | \$ 35,743,529 | \$ 527,357 |
| | | \$ 10,166,174 | \$ 473,554 |
| | | 142,782,641 | 3,622,097 |
| | | \$ 152,948,815 | \$ 4,095,651 |

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

| | General | Road and Bridge |
|---|----------------------|----------------------------|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 18,291,586 | \$ 3,686,136 |
| Petty cash and change funds | 2,150 | - |
| Undistributed cash in agency funds | 368,121 | 132,242 |
| Departmental cash | 9,698 | - |
| Taxes receivable | | |
| Prior | 1,038,483 | 347,382 |
| Special assessments receivable | | |
| Prior | 12,182 | - |
| Noncurrent | - | - |
| Accounts receivable | 11,608 | 291 |
| Accrued interest receivable | 107,359 | - |
| Notes receivable | 1,000,000 | - |
| Due from other funds | 33,641 | 139 |
| Due from other governments | 561,558 | 640,072 |
| Loans receivable | 187,163 | - |
| Inventories | - | 1,187,002 |
| Prepaid items | 75,399 | 1,750 |
| | \$ 21,698,948 | \$ 5,995,014 |
| <u>Liabilities and Fund Balances</u> | | |
| Liabilities | | |
| Accounts payable | \$ 262,483 | \$ 130,666 |
| Salaries payable | 245,869 | 42,830 |
| Contracts payable | - | 1,095,970 |
| Due to other funds | 13,935 | 12 |
| Due to other governments | 135,786 | 21,177 |
| Deferred revenue - unavailable | 978,844 | 559,037 |
| Deferred revenue - unearned | - | - |
| Customer deposits | - | 3,350 |
| | \$ 1,636,917 | \$ 1,853,042 |
| Fund Balances | | |
| Nonspendable | | |
| Septic loans receivable | \$ 187,163 | \$ - |
| Notes receivable | 1,000,000 | - |
| Inventories | - | 1,187,002 |
| Prepays | 75,399 | 1,750 |
| Restricted for | | |
| Attorney forfeiture funds | 6,184 | - |
| Recorder - compliance fees | 670,795 | - |
| Recorder - technology fees | 724,300 | - |

EXHIBIT 3

| Human Services | Debt Service | County Capital Projects | Other Funds | Total |
|-----------------------|---------------------|--------------------------------|---------------------|----------------------|
| \$ 8,976,814 | \$ 4,647,721 | \$ 2,873,006 | \$ 2,113,580 | \$ 40,588,843 |
| - | - | - | - | 2,150 |
| 75,181 | 62,552 | - | 6,779 | 644,875 |
| - | - | - | - | 9,698 |
| 349,277 | 244,499 | - | 23,353 | 2,002,994 |
| - | - | - | 17,984 | 30,166 |
| - | 37,751 | - | 13,965 | 51,716 |
| 297,261 | - | - | 720 | 309,880 |
| - | - | - | - | 107,359 |
| - | - | - | - | 1,000,000 |
| 13,796 | - | - | - | 47,576 |
| 568,500 | - | 400,465 | - | 2,170,595 |
| - | - | - | - | 187,163 |
| - | - | - | - | 1,187,002 |
| 17,795 | - | - | 290 | 95,234 |
| \$ 10,298,624 | \$ 4,992,523 | \$ 3,273,471 | \$ 2,176,671 | \$ 48,435,251 |
| \$ 188,909 | \$ - | \$ 22,016 | \$ 24,207 | \$ 628,281 |
| 121,148 | - | - | 2,717 | 412,564 |
| - | - | 427,967 | - | 1,523,937 |
| 33,629 | - | - | - | 47,576 |
| 169,820 | - | - | 3,683 | 330,466 |
| 349,246 | 210,742 | - | 39,838 | 2,137,707 |
| - | 37,751 | - | 13,965 | 51,716 |
| - | - | - | - | 3,350 |
| \$ 862,752 | \$ 248,493 | \$ 449,983 | \$ 84,410 | \$ 5,135,597 |
| \$ - | \$ - | \$ - | \$ - | \$ 187,163 |
| - | - | - | - | 1,000,000 |
| - | - | - | - | 1,187,002 |
| 17,795 | - | - | 290 | 95,234 |
| - | - | - | - | 6,184 |
| - | - | - | - | 670,795 |
| - | - | - | - | 724,300 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

| | General | Road and Bridge |
|--|----------------------|----------------------------|
| Fund Balances (Continued) | | |
| Restricted for | | |
| Sheriff's forfeitures | 26,670 | - |
| Sheriff's reserve | 6,942 | - |
| Gun permits | 112,591 | - |
| Jail canteen account | 87,797 | - |
| Juvenile substance abuse court | 11,535 | - |
| Emergency management | 2,525 | - |
| Water quality grant | 48,921 | - |
| DEA federal share program | 1,435 | - |
| Project lifesaver | 1,864 | - |
| Pit restoration reserve | - | 340,192 |
| Sanitation | - | - |
| Culture and recreation | - | - |
| Lake Improvement District | - | - |
| Ditch maintenance | - | - |
| Debt service | - | - |
| Capital projects - 800 megahertz project | - | - |
| Committed for | | |
| MICS - computer equipment | 300,000 | - |
| Two-year Highway allocation | 300,000 | - |
| Public health and north woods software IM | - | - |
| N.W. paging site | - | - |
| Subscriber radio costs | - | - |
| Ground improvement and repairs | 729,267 | - |
| Payroll/HRIS software and CAMA software | 500,000 | - |
| Phase 1 and 2 technology equipment | 58,623 | - |
| Two-year Sheriff allocation | 125,000 | - |
| Two-year motor pool allocation | 100,000 | - |
| Two-year other allocation | 90,000 | - |
| Human resources/capital improvement | 1,574 | - |
| Assigned for | | |
| Wellness, safety, ergo, LMC | 19,162 | - |
| Capital equipment | 1,555,298 | - |
| Building improvements | 382,459 | - |
| Human services | - | - |
| Highways and streets | - | 2,613,028 |
| Auditor election equipment | 59,625 | - |
| Vehicle insurance payment | 17,780 | - |
| Dental insurance | 66,105 | - |
| Capital projects | - | - |
| Unassigned | 12,793,017 | - |
| Total Fund Balances | \$ 20,062,031 | \$ 4,141,972 |
| Total Liabilities and Fund Balances | \$ 21,698,948 | \$ 5,995,014 |

EXHIBIT 3
(Continued)

| <u>Human Services</u> | <u>Debt Service</u> | <u>County Capital Projects</u> | <u>Other Funds</u> | <u>Total</u> |
|-----------------------|---------------------|--------------------------------|---------------------|----------------------|
| - | - | - | - | 26,670 |
| - | - | - | - | 6,942 |
| - | - | - | - | 112,591 |
| - | - | - | - | 87,797 |
| - | - | - | - | 11,535 |
| - | - | - | - | 2,525 |
| - | - | - | - | 48,921 |
| - | - | - | - | 1,435 |
| - | - | - | - | 1,864 |
| - | - | - | - | 340,192 |
| - | - | - | 1,189,541 | 1,189,541 |
| - | - | - | 485,661 | 485,661 |
| - | - | - | 289,540 | 289,540 |
| - | - | - | 127,716 | 127,716 |
| - | 4,744,030 | - | - | 4,744,030 |
| - | - | 1,692,764 | - | 1,692,764 |
| - | - | - | - | 300,000 |
| - | - | - | - | 300,000 |
| 348,653 | - | - | - | 348,653 |
| - | - | 65,000 | - | 65,000 |
| - | - | 182,066 | - | 182,066 |
| - | - | - | - | 729,267 |
| - | - | - | - | 500,000 |
| - | - | - | - | 58,623 |
| - | - | - | - | 125,000 |
| - | - | - | - | 100,000 |
| - | - | - | - | 90,000 |
| - | - | - | - | 1,574 |
| - | - | - | - | 19,162 |
| - | - | - | - | 1,555,298 |
| - | - | - | - | 382,459 |
| 9,069,424 | - | - | - | 9,069,424 |
| - | - | - | - | 2,613,028 |
| - | - | - | - | 59,625 |
| - | - | - | - | 17,780 |
| - | - | - | - | 66,105 |
| - | - | 883,658 | - | 883,658 |
| - | - | - | (487) | 12,792,530 |
| <u>\$ 9,435,872</u> | <u>\$ 4,744,030</u> | <u>\$ 2,823,488</u> | <u>\$ 2,092,261</u> | <u>\$ 43,299,654</u> |
| <u>\$ 10,298,624</u> | <u>\$ 4,992,523</u> | <u>\$ 3,273,471</u> | <u>\$ 2,176,671</u> | <u>\$ 48,435,251</u> |

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012**

| | | |
|--|-----------|-------------------|
| Fund balance - total governmental funds | \$ | 43,299,654 |
|--|-----------|-------------------|

Amounts reported for governmental activities in the statement of net position 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. | | 164,074,949 |
|--|--|-------------|

| | | |
|--|--|-----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 2,137,707 |
|--|--|-----------|

Long-term liabilities and related accrued interest payable and deferred debt issuance charges are not due and payable in the current period and, therefore, are not reported in the governmental funds.

| | | | |
|--|----|--------------|--------------|
| General obligation bonds - net of premiums and discounts | \$ | (50,487,286) | |
| Capital notes | | (565,000) | |
| Compensated absences | | (3,850,870) | |
| Net OPEB liability | | (1,506,747) | |
| Accrued interest | | (580,201) | |
| Deferred debt issuance charges | | 426,609 | |
| | | (56,563,495) | (56,563,495) |

| | | |
|--|-----------|---------------------------|
| Net Position of Governmental Activities | \$ | <u>152,948,815</u> |
|--|-----------|---------------------------|

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | General | Road and Bridge |
|---|----------------------|----------------------------|
| Revenues | | |
| Taxes | \$ 18,124,900 | \$ 5,260,726 |
| Special assessments | - | - |
| Licenses and permits | 521,125 | 7,455 |
| Intergovernmental | 3,738,204 | 10,719,094 |
| Charges for services | 2,762,146 | 70,952 |
| Fines and forfeits | 152,680 | - |
| Gifts and contributions | 7,423 | - |
| Investment earnings | 535,620 | - |
| Miscellaneous | 1,174,330 | 7,312 |
| | \$ 27,016,428 | \$ 16,065,539 |
| Expenditures | | |
| Current | | |
| General government | \$ 9,727,638 | \$ 150,789 |
| Public safety | 9,463,866 | - |
| Highways and streets | - | 19,330,118 |
| Sanitation | - | - |
| Human services | - | - |
| Health | - | - |
| Culture and recreation | 282,347 | - |
| Conservation of natural resources | 715,625 | - |
| Economic development | 1,067,784 | - |
| Intergovernmental | 534,637 | - |
| Capital outlay | 652,196 | 68,277 |
| Debt service | | |
| Principal | - | - |
| Interest and fiscal charges | - | - |
| Bond issuance costs | - | - |
| Administrative charges | - | - |
| | \$ 22,444,093 | \$ 19,549,184 |
| Excess of Revenues Over (Under) Expenditures | \$ 4,572,335 | \$ (3,483,645) |

EXHIBIT 5

| Human Services | Debt Service | County Capital Projects | Other Funds | Total |
|-----------------------|-----------------------|--------------------------------|--------------------|------------------------|
| \$ 4,683,744 | \$ 3,999,844 | \$ - | \$ 239,897 | \$ 32,309,111 |
| - | - | - | 253,384 | 253,384 |
| - | - | - | 9,545 | 538,125 |
| 5,045,810 | 988,383 | 1,542,809 | 216,707 | 22,251,007 |
| 1,127,822 | - | - | 25,503 | 3,986,423 |
| - | - | - | - | 152,680 |
| - | - | - | - | 7,423 |
| 181 | - | 4,515 | - | 540,316 |
| 179,122 | - | 534 | - | 1,361,298 |
| \$ 11,036,679 | \$ 4,988,227 | \$ 1,547,858 | \$ 745,036 | \$ 61,399,767 |
| \$ 140,419 | \$ - | \$ - | \$ - | \$ 10,018,846 |
| - | - | - | - | 9,463,866 |
| - | - | - | - | 19,330,118 |
| - | - | - | 373,921 | 373,921 |
| 8,617,005 | - | - | - | 8,617,005 |
| 2,305,210 | - | - | - | 2,305,210 |
| - | - | - | - | 282,347 |
| - | - | - | 134,654 | 850,279 |
| - | - | - | - | 1,067,784 |
| - | - | - | - | 534,637 |
| - | - | 6,842,954 | 80,368 | 7,643,795 |
| - | 10,436,098 | - | - | 10,436,098 |
| - | 1,920,087 | - | - | 1,920,087 |
| - | 295,982 | - | - | 295,982 |
| - | 6,374 | - | - | 6,374 |
| \$ 11,062,634 | \$ 12,658,541 | \$ 6,842,954 | \$ 588,943 | \$ 73,146,349 |
| \$ (25,955) | \$ (7,670,314) | \$ (5,295,096) | \$ 156,093 | \$ (11,746,582) |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | General | Road and Bridge |
|--|----------------------|----------------------------|
| Other Financing Sources (Uses) | | |
| Transfers in | \$ 131,069 | \$ - |
| Transfers out | (82,239) | - |
| Refunding bonds issued | - | - |
| Premium on bonds issued | - | - |
| Proceeds from the sale of capital assets | 8,933 | 84,700 |
| Payments to advance refunding escrow agent | - | - |
| Payment of capital lease refunded | - | - |
| | \$ 57,763 | \$ 84,700 |
| Net Change in Fund Balances | \$ 4,630,098 | \$ (3,398,945) |
| Fund Balances - January 1 | 15,431,933 | 7,216,215 |
| Increase (decrease) in inventories | - | 324,702 |
| Fund Balances - December 31 | \$ 20,062,031 | \$ 4,141,972 |

EXHIBIT 5
(Continued)

| Human Services | Debt Service | County Capital Projects | Other Funds | Total |
|---------------------------|-------------------------|--|------------------------|----------------------|
| \$ 22,636 | \$ 1,107,226 | \$ - | \$ - | \$ 1,260,931 |
| - | - | (1,047,622) | (131,070) | (1,260,931) |
| - | 25,985,000 | - | - | 25,985,000 |
| - | 1,221,481 | - | - | 1,221,481 |
| - | - | - | - | 93,633 |
| - | (15,832,623) | - | - | (15,832,623) |
| - | (4,653,721) | - | - | (4,653,721) |
| \$ 22,636 | \$ 7,827,363 | \$ (1,047,622) | \$ (131,070) | \$ 6,813,770 |
| \$ (3,319) | \$ 157,049 | \$ (6,342,718) | \$ 25,023 | \$ (4,932,812) |
| 9,439,191 | 4,586,981 | 9,166,206 | 2,067,238 | 47,907,764 |
| - | - | - | - | 324,702 |
| \$ 9,435,872 | \$ 4,744,030 | \$ 2,823,488 | \$ 2,092,261 | \$ 43,299,654 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Net change in fund balance - total governmental funds **\$ (4,932,812)**

Governmental activities in the statement of activities are different from the funds because:

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

| | | |
|--------------------------------|--------------------|-----------|
| Deferred revenue - December 31 | \$ 2,137,707 | |
| Deferred revenue - January 1 | <u>(2,666,836)</u> | (529,129) |

Governmental funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the disposal increase financial resources.

| | | |
|-----------------------------------|--------------------|------------|
| Expenditures for capital assets | \$ 16,283,814 | |
| Net book value of disposed assets | (114,599) | |
| Current year depreciation | <u>(4,757,653)</u> | 11,411,562 |

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

| | | |
|--|------------------|-------------|
| Debt issued | | |
| General obligation refunding bonds | \$ (25,985,000) | |
| Payments to advance refunding escrow agent | 15,832,623 | |
| Payment of capital lease refunded | 4,653,721 | |
| Premiums, discounts, and issuance costs | <u>(925,501)</u> | (6,424,157) |

| | | |
|--|--|------------|
| Principal payments | | |
| Reported as debt service expenditures (bonds, notes, and capital leases) | | 10,436,098 |

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

| | | |
|---|----------------|----------------|
| Change in accrued interest payable | \$ 229,892 | |
| Amortization of bond discounts, premiums, and deferred issuance charges | (90,821) | |
| Change in compensated absences | 10,264 | |
| Change in net OPEB liability | (269,425) | |
| Change in inventories | <u>324,702</u> | <u>204,612</u> |

Change in Net Position of Governmental Activities **\$ 10,166,174**

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 17,849,351 | \$ 17,849,351 | \$ 18,124,900 | \$ 275,549 |
| Licenses and permits | 309,550 | 309,550 | 521,125 | 211,575 |
| Intergovernmental | 2,173,610 | 3,860,991 | 3,738,204 | (122,787) |
| Charges for services | 2,468,149 | 2,719,394 | 2,762,146 | 42,752 |
| Fines and forfeits | 168,500 | 168,500 | 152,680 | (15,820) |
| Gifts and contributions | 3,600 | 3,600 | 7,423 | 3,823 |
| Investment earnings | 400,000 | 400,000 | 535,620 | 135,620 |
| Miscellaneous | 331,457 | 402,727 | 1,174,330 | 771,603 |
| | <u>\$ 23,704,217</u> | <u>\$ 25,714,113</u> | <u>\$ 27,016,428</u> | <u>\$ 1,302,315</u> |
| Total Revenues | | | | |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Commissioners | \$ 263,068 | \$ 263,068 | \$ 255,352 | \$ 7,716 |
| Courts | 196,923 | 196,923 | 197,068 | (145) |
| Law library | 41,773 | 31,101 | 30,814 | 287 |
| County administrator | 464,613 | 464,613 | 470,342 | (5,729) |
| County auditor | 453,180 | 453,180 | 450,653 | 2,527 |
| County treasurer | 288,409 | 288,409 | 280,724 | 7,685 |
| County assessor | 723,614 | 723,614 | 722,406 | 1,208 |
| Elections | 36,500 | 66,202 | 72,405 | (6,203) |
| Data processing | 4,037,229 | 4,037,229 | 3,183,558 | 853,671 |
| Central services | 66,958 | 74,418 | 91,721 | (17,303) |
| Attorney | 1,271,928 | 1,281,999 | 1,273,126 | 8,873 |
| Recorder | 464,172 | 464,172 | 332,682 | 131,490 |
| Planning and zoning | 719,540 | 729,080 | 734,890 | (5,810) |
| Maintenance | 387,783 | 387,783 | 383,153 | 4,630 |
| Other general government | 2,547,721 | 2,570,467 | 1,248,744 | 1,321,723 |
| | <u>\$ 11,963,411</u> | <u>\$ 12,032,258</u> | <u>\$ 9,727,638</u> | <u>\$ 2,304,620</u> |
| Total general government | | | | |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Public safety | | | | |
| Sheriff | \$ 4,280,211 | \$ 4,424,446 | \$ 4,634,409 | \$ (209,963) |
| Sheriff's contingent | - | 5,000 | 19,004 | (14,004) |
| Boat and water safety | 35,700 | 46,895 | 47,337 | (442) |
| Project lifesaver | - | - | 2,101 | (2,101) |
| Coroner | 90,000 | 90,000 | 99,955 | (9,955) |
| Enhanced 911 system | 125,400 | 125,400 | 125,400 | - |
| County jail | 3,425,368 | 3,347,368 | 3,097,476 | 249,892 |
| Caseload reduction | 77,424 | 77,522 | 71,116 | 6,406 |
| Jail canteen fund | - | 80,748 | 33,155 | 47,593 |
| Probation and parole | 699,030 | 699,030 | 704,842 | (5,812) |
| Sentenced to serve | 56,992 | 56,992 | 57,834 | (842) |
| Electronic monitoring | 19,100 | 22,324 | 25,025 | (2,701) |
| Juvenile substance abuse court | 2,000 | 17,170 | 6,501 | 10,669 |
| Emergency management | 66,173 | 139,417 | 73,429 | 65,988 |
| Other public safety | 390,897 | 458,130 | 466,282 | (8,152) |
| Total public safety | \$ 9,268,295 | \$ 9,590,442 | \$ 9,463,866 | \$ 126,576 |
| Culture and recreation | | | | |
| Historical society | \$ 27,000 | \$ 27,000 | \$ 27,000 | \$ - |
| Parks | 218,371 | 218,371 | 212,757 | 5,614 |
| Senior citizens | 31,000 | 31,000 | 31,000 | - |
| Other | 11,910 | 11,910 | 11,590 | 320 |
| Total culture and recreation | \$ 288,281 | \$ 288,281 | \$ 282,347 | \$ 5,934 |
| Conservation of natural resources | | | | |
| Cooperative extension | \$ 112,825 | \$ 112,825 | \$ 113,364 | \$ (539) |
| Soil and water conservation | 322,388 | 375,951 | 367,027 | 8,924 |
| Agricultural society/County fair | 14,500 | 14,500 | 14,500 | - |
| Water planning | 94,583 | 140,655 | 102,608 | 38,047 |
| Wetland challenge | 83,244 | 83,244 | 88,428 | (5,184) |
| Other | 27,042 | 27,042 | 29,698 | (2,656) |
| Total conservation of natural resources | \$ 654,582 | \$ 754,217 | \$ 715,625 | \$ 38,592 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Economic development | | | | |
| Community development | \$ 294,000 | \$ 294,000 | \$ 325,642 | \$ (31,642) |
| Other | 672,080 | 672,080 | 742,142 | (70,062) |
| Total economic development | \$ 966,080 | \$ 966,080 | \$ 1,067,784 | \$ (101,704) |
| Intergovernmental | | | | |
| Library | \$ 542,000 | \$ 542,000 | \$ 534,637 | \$ 7,363 |
| Debt service | \$ 59,603 | \$ 59,603 | \$ - | \$ 59,603 |
| Capital outlay | | | | |
| General government | \$ 80,000 | \$ 287,101 | \$ 315,897 | \$ (28,796) |
| Public safety | - | 268,424 | 278,551 | (10,127) |
| Economic development | - | 70,386 | - | 70,386 |
| Culture and recreation | - | - | 10,856 | (10,856) |
| Highways and streets | - | 10,177 | 46,892 | (36,715) |
| Total capital outlay | \$ 80,000 | \$ 636,088 | \$ 652,196 | \$ (16,108) |
| Total Expenditures | \$ 23,822,253 | \$ 24,868,970 | \$ 22,444,093 | \$ 2,424,877 |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ (118,036) | \$ 845,143 | \$ 4,572,335 | \$ 3,727,192 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ 138,786 | \$ 138,786 | \$ 131,069 | \$ (7,717) |
| Transfers out | (23,416) | (46,052) | (82,239) | (36,187) |
| Proceeds from the sale of capital assets | - | - | 8,933 | 8,933 |
| Total Other Financing Sources (Uses) | \$ 115,370 | \$ 92,734 | \$ 57,763 | \$ (34,971) |
| Net Change in Fund Balance | \$ (2,666) | \$ 937,877 | \$ 4,630,098 | \$ 3,692,221 |
| Fund Balance - January 1 | 15,431,933 | 15,431,933 | 15,431,933 | - |
| Fund Balance - December 31 | \$ 15,429,267 | \$ 16,369,810 | \$ 20,062,031 | \$ 3,692,221 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 8

**BUDGETARY COMPARISON
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 5,243,420 | \$ 5,243,420 | \$ 5,260,726 | \$ 17,306 |
| Licenses and permits | 14,000 | 14,000 | 7,455 | (6,545) |
| Intergovernmental | 4,759,000 | 6,174,148 | 10,719,094 | 4,544,946 |
| Charges for services | 22,000 | 22,000 | 70,952 | 48,952 |
| Miscellaneous | - | - | 7,312 | 7,312 |
| Total Revenues | \$ 10,038,420 | \$ 11,453,568 | \$ 16,065,539 | \$ 4,611,971 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Surveyor | \$ 203,080 | \$ 203,080 | \$ 150,789 | \$ 52,291 |
| Highways and streets | | | | |
| Administration | \$ 589,139 | \$ 589,139 | \$ 1,099,240 | \$ (510,101) |
| Engineering | 1,216,775 | 1,216,775 | 1,048,343 | 168,432 |
| Maintenance | 3,889,523 | 3,889,523 | 3,706,039 | 183,484 |
| Construction | 3,128,000 | 4,034,664 | 12,538,482 | (8,503,818) |
| Equipment, maintenance, and shop | 1,011,903 | 1,011,903 | 938,014 | 73,889 |
| Total highways and streets | \$ 9,835,340 | \$ 10,742,004 | \$ 19,330,118 | \$ (8,588,114) |
| Capital outlay | | | | |
| Highways and streets | \$ - | \$ - | \$ 68,277 | \$ (68,277) |
| Total Expenditures | \$ 10,038,420 | \$ 10,945,084 | \$ 19,549,184 | \$ (8,604,100) |
| Excess of Revenues Over (Under) Expenditures | \$ - | \$ 508,484 | \$ (3,483,645) | \$ (3,992,129) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of assets | - | - | 84,700 | 84,700 |
| Net Change in Fund Balance | \$ - | \$ 508,484 | \$ (3,398,945) | \$ (3,907,429) |
| Fund Balance - January 1 | 7,216,215 | 7,216,215 | 7,216,215 | - |
| Increase (decrease) in inventories | - | - | 324,702 | 324,702 |
| Fund Balance - December 31 | \$ 7,216,215 | \$ 7,724,699 | \$ 4,141,972 | \$ (3,582,727) |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 9

**BUDGETARY COMPARISON
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 4,664,086 | \$ 4,664,086 | \$ 4,683,744 | \$ 19,658 |
| Intergovernmental | 5,588,507 | 5,588,507 | 5,045,810 | (542,697) |
| Charges for services | 1,396,959 | 1,396,959 | 1,127,822 | (269,137) |
| Investment earnings | - | - | 181 | 181 |
| Miscellaneous | 105,600 | 105,600 | 179,122 | 73,522 |
| Total Revenues | \$ 11,755,152 | \$ 11,755,152 | \$ 11,036,679 | \$ (718,473) |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Veterans services | \$ 138,481 | \$ 138,481 | \$ 140,419 | \$ (1,938) |
| Human services | | | | |
| Income maintenance | \$ 2,722,152 | \$ 2,722,152 | \$ 2,716,752 | \$ 5,400 |
| Social services | 6,211,084 | 6,211,084 | 5,900,253 | 310,831 |
| Total human services | \$ 8,933,236 | \$ 8,933,236 | \$ 8,617,005 | \$ 316,231 |
| Health | | | | |
| Nursing service | \$ 1,827,008 | \$ 1,827,008 | \$ 1,571,039 | \$ 255,969 |
| Maternal and child health | 856,427 | 856,427 | 734,171 | 122,256 |
| Total health | \$ 2,683,435 | \$ 2,683,435 | \$ 2,305,210 | \$ 378,225 |
| Total Expenditures | \$ 11,755,152 | \$ 11,755,152 | \$ 11,062,634 | \$ 692,518 |
| Excess of Revenues Over (Under) Expenditures | \$ - | \$ - | \$ (25,955) | \$ (25,955) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 22,636 | 22,636 | - |
| Net Change in Fund Balance | \$ - | \$ 22,636 | \$ (3,319) | \$ (25,955) |
| Fund Balance - January 1 | 9,439,191 | 9,439,191 | 9,439,191 | - |
| Fund Balance - December 31 | \$ 9,439,191 | \$ 9,461,827 | \$ 9,435,872 | \$ (25,955) |

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FIDUCIARY FUNDS

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CHISAGO COUNTY
CENTER CITY, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012

| | <u>Agency</u> |
|-----------------------------|----------------------------|
| <u>Assets</u> | |
| Cash and pooled investments | <u>\$ 1,549,186</u> |
| <u>Liabilities</u> | |
| Accounts payable | \$ 3,562 |
| Deferred benefits | 40,463 |
| Due to other governments | <u>1,505,161</u> |
| Total Liabilities | <u>\$ 1,549,186</u> |

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

1. Summary of Significant Accounting Policies

Chisago County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2012. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Chisago County was established September 1, 1851, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

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

A five-member Board appointed by the County Board governs the HRA-EDA. The HRA-EDA is reported in a separate column to emphasize that the HRA-EDA is legally separate from the County. The HRA-EDA is included because the County is financially accountable and is able to impose its will on the HRA-EDA. Separate financial statements for the HRA-EDA may be obtained at its office at 38871 - 7th Avenue, North Branch, Minnesota 55056.

Joint Ventures

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. 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. Separate statements for each fund category--governmental and fiduciary (agency)--are presented. The emphasis of the governmental fund financial statements is on major individual funds, with each displayed as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund accounts for restricted revenue resources from the federal, state, and other oversight agencies, as well as assigned property tax revenues used for economic assistance and community social services programs.
- The Debt Service Fund accounts for the accumulation of resources that are restricted for the payment of principal and interest on the debt issued by the County for construction of various County buildings and roads.
- The County Capital Projects Fund accounts for financial resources restricted, committed, or assigned for capital acquisition, construction, or improvement of capital facilities and other capital assets.

Additionally, the County reports the following fund type:

- Agency funds are custodial in nature and do not present results of operations or have a measurement focus and do not involve measurement of results of operations. These funds account for assets that the County holds for others in an agency capacity.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2012, 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 2012 were \$540,316.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments (Continued)

Chisago County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does satisfy the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). The investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

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

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

3. Inventories and Prepaid Items

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

3. Inventories and Prepaid Items (Continued)

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

4. Capital Assets

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

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

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

- Net investment in capital assets - the portion of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- Restricted - the portion of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - the portion of net position that is not included in the net investment in capital assets or restricted components.

9. Classification of Fund Balances

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- Restricted – amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or by laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

9. Classification of Fund Balances (Continued)

- Committed - amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.
- Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor, who has been delegated that authority by Board resolution.
- Unassigned - the residual classification for the General Fund, it includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

10. Minimum Fund Balance

Chisago County has adopted a minimum fund balance policy for the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund. All three funds rely heavily on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

10. Minimum Fund Balance (Continued)

unassigned) of 35 to 50 percent of operating revenues or no less than five months of operating expenditures. The Fund Balance Policy was adopted by the County Board on August 17, 2011.

At December 31, 2012, unrestricted fund balances for the General Fund and the Human Services Fund were above the minimum fund balance levels. The Road and Bridge Fund was not in compliance with the County's minimum fund balance policy.

11. 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.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

Early in June each year, the County Administrator meets with department heads to discuss the budget process and requests a priority-based budget assessment. These assessments are returned in mid-June to the Administrator. Next, the County Administrator, County Auditor, and County Treasurer meet and review budget options and set proposed budget appropriation targets for each department based on preliminary levy goals established by the County Board. These targets are then sent to the department heads in early July. As needed, department budget presentations are made to the County Board throughout July and August. Before August 31, the proposed budget is presented by the County Administrator to the County Board for review, and the Board will set a preliminary maximum levy by September 15. The County Board holds public hearings (truth in taxation) on the proposed budget in early December. A final operating budget is approved, and a final levy is set before December 31.

B. Deficit Fund Equity

Although the Ditch Special Revenue Fund had a positive fund balance of \$127,229 as of December 31, 2012, 3 of the 13 active ditch systems had deficit balances. These deficits will be eliminated with future special assessment levies against benefited properties. Following is a summary of the individual ditch systems:

| | |
|--------------------------------|------------|
| Ditches with positive balances | \$ 127,716 |
| Ditches with deficit balances | (487) |
| | \$ 127,229 |

C. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget at the department level for the year ended December 31, 2012.

| | Expenditures | Final Budget | Excess |
|----------------------|--------------|--------------|--------|
| General Fund | | | |
| Current | | | |
| General government | | | |
| Courts | \$ 197,068 | \$ 196,923 | \$ 145 |
| County administrator | 470,342 | 464,613 | 5,729 |
| Elections | 72,405 | 66,202 | 6,203 |
| Central services | 91,721 | 74,418 | 17,303 |
| Planning and zoning | 734,890 | 729,080 | 5,810 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

2. Stewardship, Compliance, and Accountability

C. Excess of Expenditures Over Budget (Continued)

| | <u>Expenditures</u> | <u>Final Budget</u> | <u>Excess</u> |
|-----------------------------------|---------------------|---------------------|---------------|
| General Fund | | | |
| Current (Continued) | | | |
| Public safety | | | |
| Sheriff | 4,634,409 | 4,424,446 | 209,963 |
| Sheriff's contingent | 19,004 | 5,000 | 14,004 |
| Boat and water safety | 47,337 | 46,895 | 442 |
| Project lifesaver | 2,101 | - | 2,101 |
| Coroner | 99,955 | 90,000 | 9,955 |
| Probation and parole | 704,842 | 699,030 | 5,812 |
| Sentenced to serve | 57,834 | 56,992 | 842 |
| Electronic monitoring | 25,025 | 22,324 | 2,701 |
| Other public safety | 466,282 | 458,130 | 8,152 |
| Conservation of natural resources | | | |
| Cooperative extension | 113,364 | 112,825 | 539 |
| Wetland challenge | 88,428 | 83,244 | 5,184 |
| Other | 29,698 | 27,042 | 2,656 |
| Economic development | | | |
| Community development | 325,642 | 294,000 | 31,642 |
| Other | 742,142 | 672,080 | 70,062 |
| Capital outlay | | | |
| General government | 315,897 | 287,101 | 28,796 |
| Public safety | 278,551 | 268,424 | 10,127 |
| Culture and recreation | 10,856 | - | 10,856 |
| Highways and streets | 46,892 | 10,177 | 36,715 |
| Special Revenue Funds | | | |
| Road and Bridge | | | |
| Current | | | |
| Highways and streets | | | |
| Administration | 1,099,240 | 589,139 | 510,101 |
| Construction | 12,538,482 | 4,034,664 | 8,503,818 |
| Capital outlay | 68,277 | - | 68,277 |
| Human Services | | | |
| Current | | | |
| General government | | | |
| Veterans services | 140,419 | 138,481 | 1,938 |
| Solid Waste | | | |
| Current | | | |
| Sanitation | | | |
| Recycling | 174,137 | 165,998 | 8,139 |
| Debt Service Fund | | | |
| Debt service | | | |
| Principal | 10,436,098 | 10,320,000 | 116,098 |
| Bond issuance costs | 295,982 | - | 295,982 |
| Administrative charges | 6,374 | - | 6,374 |

These expenditures in excess of appropriations were funded by greater than anticipated revenues and other departmental expenditure savings.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

| | |
|---|---------------|
| Government-wide statement of net position | |
| Governmental activities | |
| Cash and pooled investments | \$ 41,245,566 |
| Statement of fiduciary net assets | |
| Cash and pooled investments | 1,549,186 |
| Total Cash and Investments | \$ 42,794,752 |
| Deposits | \$ 1,485,757 |
| Petty cash and change funds | 2,150 |
| Departmental cash | 9,698 |
| Investments | 41,297,147 |
| Total Deposits, Cash on Hand, and Investments | \$ 42,794,752 |

a. Deposits

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, the County complies with Minnesota statutes in establishing collateral for its deposits. At December 31, 2012, the County was not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

At December 31, 2012, the County had the following investments:

| | <u>Fair Value</u> | <u>Less Than 1 Year</u> | <u>1 - 5 Years</u> | <u>5+ Years</u> |
|------------------------------------|-----------------------|-----------------------------|------------------------|----------------------|
| U.S. agency securities | \$ 22,411,894 | \$ - | \$ - | \$ 22,411,894 |
| MAGIC Fund | 17,463,460 | 17,463,460 | - | - |
| Negotiable certificates of deposit | 1,421,793 | - | 493,550 | 928,243 |
| Total Investments | <u>\$ 41,297,147</u> | <u>\$ 17,463,460</u> | <u>\$ 493,550</u> | <u>\$ 23,340,137</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's exposure to credit risk at December 31, 2012, is as follows:

| | <u>S & P Rating</u> | <u>Fair Value</u> |
|------------------------------------|-------------------------|----------------------|
| U.S. agency securities | AAA | \$ 22,411,894 |
| MAGIC Fund | N/R | 17,463,460 |
| Negotiable certificates of deposit | N/A | 1,421,793 |
| Total | | <u>\$ 41,297,147</u> |

N/R - Not rated

N/A - Not Applicable

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

| <u>Issuer</u> | <u>Reported Amount</u> |
|------------------------------|----------------------------|
| FHLMC - Wells Fargo Advisors | \$ 10,244,709 |
| FHLB - Wells Fargo Advisors | 12,167,185 |
| MAGIC Fund | 17,463,460 |

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities in the possession of an outside party. All securities purchased by the County are held in safekeeping by a third-party designated institution as agent for the County. As of December 31, 2012, the County's investments were not exposed to custodial credit risk.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2012, for the County's governmental activities are as follows:

| | <u>Total Receivables</u> | <u>Amounts Not Scheduled for Collection During the Subsequent Year</u> |
|-------------------------------|------------------------------|--|
| Governmental Activities | | |
| Taxes | \$ 2,002,994 | \$ - |
| Special assessments | 81,882 | 51,716 |
| Accounts | 309,880 | - |
| Accrued interest | 107,359 | - |
| Notes | 1,000,000 | 1,000,000 |
| Due from other governments | 2,170,595 | - |
| Loans | <u>187,163</u> | <u>162,141</u> |
| Total Governmental Activities | <u>\$ 5,859,873</u> | <u>\$ 1,213,857</u> |

Notes

In 2006, Chisago County entered into an interest-only loan to the Chisago County HRA-EDA. This demand promissory note is due in 2026.

Loans Receivable

In 2007, Chisago County began a septic loan program to assist landowners with problem septic systems by providing them with low-interest loans for the upgrade and repair of these septic systems. The loans are for a period of ten years. There are currently 29 loans outstanding at December 31, 2012.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---------------------------------------|----------------------|---------------|--------------|-------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 2,613,277 | \$ - | \$ - | \$ 2,613,277 |
| Construction in progress | 16,727,846 | 5,842,316 | 9,083,067 | 13,487,095 |
| Total capital assets not depreciated | \$ 19,341,123 | \$ 5,842,316 | \$ 9,083,067 | \$ 16,100,372 |
| Capital assets depreciated | | | | |
| Buildings | \$ 22,739,716 | \$ 2,932,785 | \$ - | \$ 25,672,501 |
| Machinery, furniture, and equipment | 14,543,449 | 3,119,002 | 1,399,103 | 16,263,348 |
| Computer software | - | 753,935 | - | 753,935 |
| Infrastructure | 136,218,351 | 12,718,843 | - | 148,937,194 |
| Total capital assets depreciated | \$ 173,501,516 | \$ 19,524,565 | \$ 1,399,103 | \$ 191,626,978 |
| Less: accumulated depreciation for | | | | |
| Buildings | \$ 8,259,568 | \$ 633,303 | \$ - | \$ 8,892,871 |
| Machinery, furniture, and equipment | 10,362,054 | 1,598,033 | 1,284,504 | 10,675,583 |
| Computer software | - | 87,959 | - | 87,959 |
| Infrastructure | 21,557,630 | 2,438,358 | - | 23,995,988 |
| Total accumulated depreciation | \$ 40,179,252 | \$ 4,757,653 | \$ 1,284,504 | \$ 43,652,401 |
| Total capital assets depreciated, net | \$ 133,322,264 | \$ 14,766,912 | \$ 114,599 | \$ 147,974,577 |
| Capital Assets, Net | \$ 152,663,387 | \$ 20,609,228 | \$ 9,197,666 | \$ 164,074,949 |

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

| | |
|---|--------------|
| Governmental Activities | |
| General government | \$ 872,411 |
| Public safety | 712,660 |
| Highways and streets, including depreciation of infrastructure assets | 2,796,135 |
| Sanitation | 8,960 |
| Health | 79,676 |
| Culture and recreation | 224,248 |
| Economic development | 63,563 |
| Total Depreciation Expense - Governmental Activities | \$ 4,757,653 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2012, is as follows:

1. Due From/To Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|-------------------------------|---------------------|------------------|-------------------|
| General | Human Services | \$ 33,629 | Services provided |
| General | Road and Bridge | 12 | Services provided |
| Road and Bridge | General | 139 | Services provided |
| Human Services | General | 13,796 | Services provided |
| Total Due To/From Other Funds | | <u>\$ 47,576</u> | |

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2012, consisted of the following:

| | <u>Transfers In</u> | <u>Description</u> |
|---------------------------------------|---------------------|-----------------------------|
| Transfers to General Fund from | | |
| Lake Improvement District Fund | \$ 32,700 | Staff services |
| Lake Improvement District Fund | 13,000 | Storm water project |
| Solid Waste Fund | 85,370 | Solid waste fees |
| Total General Fund | <u>\$ 131,070</u> | |
| Transfers to Human Services Fund from | | |
| General Fund | \$ 22,636 | Veterans services expenses |
| Transfers to Debt Service Fund from | | |
| General Fund | \$ 59,603 | Provide funds to repay debt |
| County Capital Projects Fund | 47,622 | Buy down debt: 2012A |
| County Capital Projects Fund | 1,000,000 | Buy down debt: 2012B |
| Total Debt Service Fund | <u>\$ 1,107,225</u> | |
| Total Interfund Transfers | <u>\$ 1,260,931</u> | |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Accounts Payable

Accounts payable at December 31, 2012, were as follows:

| | Governmental Activities |
|------------------------|----------------------------|
| Accounts | \$ 628,281 |
| Salaries | 412,564 |
| Contracts | 1,523,937 |
| Total Accounts Payable | \$ 2,564,782 |

2. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable, state grants that are not collected soon enough after year-end to pay liabilities of the current period, state and federal grants received but not yet earned, and highway allotments and other revenue sources either received but unearned or not received soon enough after year-end. Deferred revenue at December 31, 2012, is summarized below by fund:

| | Taxes and Special Assessments | Highway Allotments and Other | Total |
|---------------------------|----------------------------------|------------------------------------|--------------|
| Major governmental funds | | | |
| General | \$ 844,017 | \$ 134,827 | \$ 978,844 |
| Road and Bridge | 303,337 | 255,700 | 559,037 |
| Human Services | 308,704 | 40,542 | 349,246 |
| Debt Service | 248,493 | - | 248,493 |
| Other governmental funds | | | |
| Ditch | 590 | - | 590 |
| Lake Improvement District | 35,819 | - | 35,819 |
| Solid Waste | 17,394 | - | 17,394 |
| Total | \$ 1,758,354 | \$ 431,069 | \$ 2,189,423 |
| Deferred revenue | | | |
| Unavailable | \$ 1,706,638 | \$ 431,069 | \$ 2,137,707 |
| Unearned | 51,716 | - | 51,716 |
| Total | \$ 1,758,354 | \$ 431,069 | \$ 2,189,423 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

The County issues general obligation bonds and capital notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the County. General obligation bonds and notes outstanding at December 31, 2012, are as follows:

| Type of Indebtedness | Final Maturity | Installment Amounts | Interest Rates (%) | Original Issue Amount | Balance December 31, 2012 |
|---|----------------|-----------------------|--------------------|-----------------------|---------------------------|
| 2003A Capital Improvement Bonds | 2013 | \$400,000 - 550,000 | 3.00 - 3.40 | \$ 2,000,000 | \$ 400,000 |
| 2003B Jail and Courthouse Bonds | 2014 | \$65,000 - 85,000 | 2.05 - 4.10 | 720,000 | 165,000 |
| 2004A State-Aid Road Bonds | 2014 | \$365,000 - 450,000 | 1.50 - 3.30 | 4,000,000 | 885,000 |
| 2005A Road Reconstruction Bonds | 2017 | \$590,000 - 835,000 | 3.50 - 4.00 | 7,000,000 | 3,840,000 |
| 2005B Capital Notes | 2015 | \$125,000 - 195,000 | 3.60 - 4.00 | 1,500,000 | 565,000 |
| 2009A Refunding Bonds | 2018 | \$85,000 - 510,000 | 2.00 - 3.00 | 3,315,000 | 2,125,000 |
| 2010B Capital Improvement Bonds (Build America Bonds) | 2026 | \$340,000 - 605,000 | 1.70 - 4.85 | 7,000,000 | 7,000,000 |
| 2010C Capital Improvement Bonds (Build America Bonds) | 2031 | \$460,000 - 1,610,000 | 4.00 - 5.35 | 11,350,000 | 11,350,000 |
| 2012A State-Aid Refunding Bonds | 2018 | \$350,000 - 450,000 | 0.35 - 1.00 | 2,555,000 | 2,555,000 |
| 2012B Capital Improvement Refunding Bonds | 2032 | \$210,000 - 2,300,000 | 2.00 - 3.125 | 23,430,000 | 23,430,000 |
| Total general obligation bonds and notes | | | | <u>\$ 62,870,000</u> | \$ 52,315,000 |
| Add: unamortized premium | | | | | 1,296,401 |
| Less: unamortized discount | | | | | (156,492) |
| Less: unamortized charge | | | | | <u>(2,402,623)</u> |
| Total Bonds and Notes, Net | | | | | <u>\$ 51,052,286</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Current Refunding

On September 5, 2012, Chisago County issued \$2,555,000 in General Obligation State-Aid Road Refunding Bonds, Series 2012A, with interest rates ranging from 0.35 percent to 1.0 percent. The proceeds were used to refund \$2,555,000 of outstanding 2007A General Obligation State-Aid Road Bonds which had interest rates ranging from 3.7 percent to 3.85 percent. The County refunded the 2007A bonds to reduce total debt service payments over five years by \$196,182 and to obtain an economic gain (difference between the present values of debt service payments on the old debt and new debt) of \$192,037.

Advance Refunding

On September 5, 2012, Chisago County issued \$23,430,000 in General Obligation Capital Improvement Refunding Bonds, Series 2012B, with interest rates ranging from 2.0 percent to 3.125 percent. The proceeds were used to current refund \$4,870,000 in outstanding 2010A General Obligation Temporary Bonds, with a 1.5 percent interest rate, and advance refund \$5,220,000 in outstanding 2004A HRA Public Project Revenue Bonds and \$13,430,000 in outstanding 2006A General Obligation Capital Improvement Bonds, with interest rates ranging from 4.125 percent to 5.15 percent. The net proceeds of \$25,953,345 (including issuer contribution of \$1.0 million, underwriters premium of \$1.2 million, prior escrow on 2004A HRA debt of \$566,000, and issuance costs of \$264,000) was used to current refund the 2010A debt (\$4.9 million) with the remainder (\$21.1 million) deposited in two irrevocable escrow accounts to provide funds for the future debt service payments on the Series 2004A and 2006A advance refunded bonds. (The 2004A bonds will be redeemed August 1, 2014, and the 2006A bonds will be redeemed February 1, 2016.) As a result, the Series 2004A and 2006A bonds are considered to be defeased and the liability for these bonds have been removed from the statement of net position. As of December 31, 2012, \$18.6 million of defeased bonds remain outstanding.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Advance Refunding (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$2,402,623. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The County current refunded the 2010A bonds, and advance refunded the Series 2004A and 2006A bonds to reduce its total debt service payments over 18 years by \$1.7 million and to obtain an economic gain of \$1.1 million.

4. Debt Service Requirements

Debt service requirements at December 31, 2012, were as follows:

| Year Ending December 31 | General Obligation Bonds | | Capital Notes | |
|----------------------------|--------------------------|---------------|---------------|-----------|
| | Principal | Interest | Principal | Interest |
| 2013 | \$ 3,000,000 | \$ 1,667,856 | \$ 180,000 | \$ 19,000 |
| 2014 | 3,140,000 | 1,655,890 | 190,000 | 11,600 |
| 2015 | 2,745,000 | 1,585,757 | 195,000 | 3,900 |
| 2016 | 3,015,000 | 1,514,054 | - | - |
| 2017 | 3,100,000 | 1,428,445 | - | - |
| 2018 - 2022 | 14,915,000 | 5,742,994 | - | - |
| 2023 - 2027 | 14,595,000 | 3,079,574 | - | - |
| 2028 - 2032 | 7,240,000 | 754,788 | - | - |
| Total | \$ 51,750,000 | \$ 17,429,358 | \$ 565,000 | \$ 34,500 |

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

Taking into consideration the BAB interest credit, as of December 31, 2012, the County's net annual debt service requirements to amortize all taxable general obligation bonds outstanding, including interest of \$13,750,458 on the governmental activities debt, is as follows:

| Year Ending December 31 | Principal | Interest | Federal Subsidy | Net Interest | Total Payment |
|----------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
| 2013 | \$ 3,000,000 | \$ 1,667,856 | \$ (290,216) | \$ 1,377,640 | \$ 4,377,640 |
| 2014 | 3,140,000 | 1,655,890 | (289,204) | 1,366,686 | 4,506,686 |
| 2015 | 2,745,000 | 1,585,757 | (286,537) | 1,299,220 | 4,044,220 |
| 2016 | 3,015,000 | 1,514,054 | (282,015) | 1,232,039 | 4,247,039 |
| 2017 | 3,100,000 | 1,428,445 | (274,692) | 1,153,753 | 4,253,753 |
| 2018 - 2022 | 14,915,000 | 5,742,994 | (1,203,637) | 4,539,357 | 19,454,357 |
| 2023 - 2027 | 14,595,000 | 3,079,574 | (820,038) | 2,259,536 | 16,854,536 |
| 2028 - 2032 | 7,240,000 | 754,788 | (232,561) | 522,227 | 7,762,227 |
| Total | \$ 51,750,000 | \$ 17,429,358 | \$ (3,678,900) | \$ 13,750,458 | \$ 65,500,458 |

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| Bonds and notes payable | | | | | |
| General obligation bonds | \$ 49,130,000 | \$ 25,985,000 | \$ 23,365,000 | \$ 51,750,000 | \$ 3,000,000 |
| Capital notes | 740,000 | - | 175,000 | 565,000 | 180,000 |
| Add: unamortized premium | 133,024 | 1,221,481 | 58,104 | 1,296,401 | - |
| Less: unamortized discounts | (200,311) | - | (43,819) | (156,492) | - |
| Less: unamortized charges | - | (2,402,623) | - | (2,402,623) | - |
| Total bonds and notes payable | \$ 49,802,713 | \$ 24,803,858 | \$ 23,554,285 | \$ 51,052,286 | \$ 3,180,000 |
| Capital leases | 4,979,817 | - | 4,979,817 | - | - |
| Customer deposits | - | 3,350 | - | 3,350 | - |
| Compensated absences | 3,861,134 | 2,036,991 | 2,047,255 | 3,850,870 | 1,312,937 |
| Net OPEB liability | 1,237,322 | 269,425 | - | 1,506,747 | - |
| Long-Term Liabilities | \$ 59,880,986 | \$ 27,113,624 | \$ 30,581,357 | \$ 56,413,253 | \$ 4,492,937 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

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

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; 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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2012:

| | |
|---------------------------------------|--------|
| General Employees Retirement Fund | |
| Basic Plan members | 11.78% |
| Coordinated Plan members | 7.25 |
| Public Employees Police and Fire Fund | 14.40 |
| Public Employees Correctional Fund | 8.75 |

The County's contributions for the years ending December 31, 2012, 2011, and 2010, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---------------------------------------|--------------|-------------|-------------|
| General Employees Retirement Fund | \$ 1,007,890 | \$ 972,144 | \$ 940,090 |
| Public Employees Police and Fire Fund | 408,293 | 397,754 | 383,047 |
| Public Employees Correctional Fund | 84,861 | 79,606 | 92,322 |

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may 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, 2012, were:

| | <u>Employee</u> | <u>Employer</u> |
|-------------------------------|-----------------|-----------------|
| Contribution amount | \$ 7,225 | \$ 7,225 |
| Percentage of covered payroll | 5% | 5% |

Required contribution rates were 5.0 percent.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description

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

The contribution requirements of the plan members and the County are established and may be amended by the Chisago County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2012, there were 345 participants in the plan, including 33 retirees and 4 retirees' spouses.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2012, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

| | | |
|---|----|-------------------------|
| ARC | \$ | 430,150 |
| Interest on net OPEB obligation | | 55,679 |
| Adjustment to ARC | | <u>(76,371)</u> |
| Annual OPEB cost (expense) | \$ | 409,458 |
| Contributions made during the year | | <u>(140,033)</u> |
| Increase in net OPEB obligation | \$ | 269,425 |
| Net OPEB Obligation - Beginning of Year | | <u>1,237,322</u> |
| Net OPEB Obligation - End of Year | \$ | <u><u>1,506,747</u></u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2008 through 2012, were as follows:

| <u>Fiscal Year-End</u> | <u>Annual OPEB Cost</u> | <u>Employer Contribution</u> | <u>Percent of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------|-----------------------------|----------------------------------|--|--------------------------------|
| December 31, 2008 | \$ 439,993 | \$ 85,359 | 19.4% | \$ 354,634 |
| December 31, 2009 | 439,993 | 122,272 | 27.8 | 672,355 |
| December 31, 2010 | 404,804 | 88,469 | 21.6 | 988,690 |
| December 31, 2011 | 404,621 | 155,989 | 38.6 | 1,237,322 |
| December 31, 2012 | 409,458 | 140,033 | 34.2 | 1,506,747 |

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,858,168, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,858,168. The covered payroll (annual payroll of active employees covered by the plan) was \$16,149,992, and the ratio of the UAAL to the covered payroll was 17.7 percent.

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Chisago County's implicit rate of return on the General Fund. The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 2.5 percent inflation assumption. The dental trend rate is 4.0 percent. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2012, was 25 years.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. 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 \$460,000 per claim in 2012 and \$470,000 per claim in 2013. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

In 2001, Chisago County began to self-insure for employee dental coverage. The County contracts with Midwest Dental to administer the County's self-insured dental benefit claims. Midwest Dental processes all benefit claims and charges the County an administrative fee. The County maintains a self-insurance account within the General Fund and pays all claims as incurred. For 2012, the County collected premiums of \$310,098 from County departments. For 2011, claims and administrative costs paid were \$300,652.

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

| | Year Ended December 31 | |
|----------------------------------|------------------------|-------------|
| | 2012 | 2011 |
| Asset (liability) at January 1 | \$ 23,659 | \$ (19,150) |
| Current year premiums | 310,098 | 301,811 |
| Claims payments | (300,652) | (291,488) |
| Levy | 33,000 | 32,486 |
| Asset (Liability) at December 31 | \$ 66,105 | \$ 23,659 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

B. Contingent Liabilities

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

C. Joint Ventures

Chisago Lakes Joint Sewage Treatment Commission

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

The Sewage Treatment Commission's annual financial report shows a total net position of \$9,013,153 as of December 31, 2012.

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

East Central Solid Waste Commission

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

East Central Solid Waste Commission (Continued)

Each county's proportionate share of the total operating costs is based on the most recent census data available and is to be adjusted upon the admission of additional counties or the withdrawal of present counties. The Commission will remain in existence so long as two or more of the counties remain as parties to the agreement.

Upon dissolution of the Commission, there will be an accounting to determine assets and liabilities. The assets of the Commission will be liquidated and, after payment of liabilities, the proceeds will be distributed to the counties based on their respective ratios set by the most recent census data.

Each county's share of the Commission's assets, liabilities, and equities cannot be accurately determined since it will fluctuate with census data rather than ownership interest. Following is a summary of the financial information as of and for the year ended December 31, 2011 (most recent figures available):

| | |
|-------------------------------------|---------------------|
| Total Assets | \$ 13,575,707 |
| Total Liabilities | <u>5,460,785</u> |
| Total Net Position | <u>\$ 8,114,922</u> |
| Operating and nonoperating revenues | \$ 5,432,568 |
| Operating and nonoperating expenses | <u>6,197,141</u> |
| Change in Net Position | <u>\$ (764,573)</u> |

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

East Central Regional Library

The East Central Regional Library was established by a joint powers agreement among Aitkin, Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to provide an efficient and improved regional public library service. The Library's Board comprises 18 members--one County Board member and two appointees from each county. The

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

East Central Regional Library (Continued)

Library's financial statements for the year ended December 31, 2012, show total assets of \$2,073,172, total liabilities of \$505,507, and total net position of \$1,567,665. Chisago County's contribution for 2012 was \$533,887.

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

Metropolitan Emergency Services Board

The Metropolitan Emergency Services Board was established by a joint powers agreement between Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties as well as the City of Minneapolis for the implementation and administration of a regional 911 system. Chisago County entered this agreement effective October 1, 2006. Isanti County later joined the joint powers agreement effective January 1, 2010.

Chisago County's contribution for 2012 was \$18,529. Complete financial statements of the Metropolitan Emergency Services Board can be obtained at the 911 Board Offices, 2099 University Avenue, West Saint Paul, Minnesota 55104.

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Reporting Entity

The Chisago County Housing and Redevelopment Authority was established in 1988 with the powers, duties, and privileges granted by Minn. Stat. ch. 469. In 2000, the Authority adopted economic development powers, as granted by Minn. Stat. ch. 469, and changed its name to the Chisago County Housing and Redevelopment Authority Economic Development Authority (HRA-EDA). The HRA-EDA is governed by a five-member Board of Commissioners (the Board) appointed by the Chisago County (the County) Board of Commissioners. The Treasurer of the HRA-EDA is appointed by the County Board of Commissioners for an indefinite term. The Executive Director of the HRA-EDA is appointed by the HRA-EDA Board for an indefinite term.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Reporting Entity (Continued)

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

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

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

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are tenant rent and HRA-EDA contributions. Operating expenses for proprietary funds include the cost of housing assistance payments, utilities, sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

3. Assets, Liabilities, and Net Position

Deposits and Investments

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Net Position

Deposits and Investments (Continued)

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

- a. direct obligations or guaranteed or insured issues of the United States or its agencies;
- b. shares of investment companies registered under the Federal Investment Company Act of 1940 and receiving the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and having a final maturity of 13 months or less;
- c. general obligations of a state or local government with taxing powers rated “A” or better, and revenue obligations rated “AA” or better;
- d. general obligations of the Minnesota Housing Finance Agency rated “A” or better;
- e. bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System;
- f. commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less;
- g. repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, with primary reporting dealers in U.S. government securities to the Federal Reserve Bank of New York, or certain securities broker-dealers; and

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Net Position

Deposits and Investments (Continued)

- h. guaranteed investment contracts (GICs) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments are stated at fair value.

Property Taxes

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

Accounts Receivable

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

Prepaid Expenses

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

Capital Assets

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets, Liabilities, and Net Position

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

Compensated Absences

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures (Continued)

B. Detailed Notes on All Funds

1. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments

Deposits (Continued)

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

At December 31, 2012, the HRA-EDA's carrying amount of deposits was \$1,224,635 and the bank balance was \$1,232,459, all of which was covered by federal depository insurance and by collateral held by the HRA-EDA's agent in the HRA-EDA's name.

Investments

As of December 31, 2012, the HRA-EDA had the following investments:

| <u>Type of Investment</u> | <u>Credit Quality/ Rating¹</u> | <u>Segmented Time Distribution²</u> | <u>Fair Value and Carrying Amount</u> |
|--|---|--|---|
| Non-pooled investments U.S. government agency securities | Aaa | 1 to 3 years | <u>\$ 1,713,096</u> |

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments

Investments (Continued)

A reconciliation of cash and temporary investments as shown on the statement of net position as of December 31, 2012, for the HRA-EDA follows:

| | | |
|--|----|-----------|
| Carrying amount of deposits | \$ | 1,224,635 |
| Investments | | 1,713,096 |
| Cash on hand | | 100 |
| | | 100 |
| Total | \$ | 2,937,831 |
| | | |
| Cash and investments | | |
| Cash and temporary investments - unrestricted | \$ | 1,171,739 |
| Cash and investments held with escrow agent | | 1,713,096 |
| Cash - restricted for tenant security deposits | | 52,996 |
| | | 52,996 |
| Total | \$ | 2,937,831 |

The investments are subject to the following risks:

- Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings provided by various credit rating agencies where applicable indicate associated credit risk. Minnesota statutes limit the HRA-EDA's investments to the list in Note 6.A.3.
- Custodial Credit Risk - the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities which are in the possession of an outside party. The HRA-EDA's investment policy limits exposure to custodial credit risk by limiting investments to only those listed under Minnesota statutes.
- Concentration of Credit Risk - the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with its investment policy, the HRA-EDA minimizes concentration of credit risk by making investments which shall suggest diversification.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments

Investments (Continued)

- Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment. Using the segmented time distribution method, the interest rate risk of the HRA-EDA's investments is less than six months.

2. Receivables

Loans Receivable

The HRA-EDA partnered with the City of Taylors Falls to assist with its redevelopment project located at the MNDOT facility. The City has purchased the property from MNDOT in exchange for a long-term lease of a new facility to be located on City Hall property to house state equipment and supplies. The HRA-EDA Board approved a \$175,000 no-interest loan to cover the costs of the new facility. The City will reimburse the HRA-EDA in \$5,000 increments for five years starting in 2011, with the final lump sum due by December 31, 2020. Since the HRA-EDA did not receive the 2012 payment until 2013, both years' payments are due in 2013. All net proceeds of the subsequent sale of parcels of the redevelopment property shall be applied towards the loan. The following is a schedule of future loan receivable payments.

| Year Ending December 31 | Loan Receivable |
|----------------------------|--------------------|
| 2013 | \$ 10,000 |
| 2014 | 5,000 |
| 2015 | 5,000 |
| 2020 | 150,000 |
| Total | \$ 170,000 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

2. Receivables (Continued)

Lease Receivable

The HRA-EDA entered into a capital lease agreement with the County for public projects. The lease receivable is based on the 2004A Public Project Revenue Bond. The receivable is reduced by the amount of cash with escrow agent. As of December 31, 2012 and 2011, the lease receivable balance was zero and \$4,923,718 respectively. The lease was paid off in 2012, with Chisago County refunding the 2004A Public Project Revenue Bond per the lease agreement.

Accounts Receivable

As of December 31, 2012, accounts receivable at year-end were \$5,011. These amounts represent amounts earned in 2012 but not received until 2013.

3. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---------------------------------------|----------------------|--------------|----------|-------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 243,181 | - | - | \$ 243,181 |
| Capital assets depreciated | | | | |
| Buildings | \$ 6,273,799 | - | - | \$ 6,273,799 |
| Furniture, equipment, and machinery | 24,468 | - | 2,704 | 21,764 |
| Improvements | 84,664 | 33,325 | - | 117,989 |
| Total capital assets depreciated | \$ 6,382,931 | \$ 33,325 | \$ 2,704 | \$ 6,413,552 |
| Less: accumulated depreciation for | | | | |
| Buildings | \$ 1,081,789 | \$ 135,112 | - | \$ 1,216,901 |
| Furniture, equipment, and machinery | 21,039 | 365 | 2,434 | 18,970 |
| Improvements | 52,750 | 10,330 | - | 63,080 |
| Total accumulated depreciation | \$ 1,155,578 | \$ 145,807 | \$ 2,434 | \$ 1,298,951 |
| Total capital assets depreciated, net | \$ 5,227,353 | \$ (112,482) | \$ 270 | \$ 5,114,601 |
| Total Capital Assets, Net | \$ 5,470,534 | \$ (112,482) | \$ 270 | \$ 5,357,782 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

3. Capital Assets (Continued)

Depreciation expense was charged as follows:

| | |
|----------------------------------|------------|
| Housing and Economic Development | \$ 145,807 |
|----------------------------------|------------|

4. Long-Term Debt

General Obligation Bonds

General obligation bonds outstanding as of December 31, 2012, are as follows:

| Description | Authorized and Issued | Interest Rate (%) | Issue Date | Maturity Date | Ending Balance |
|---|--------------------------|-------------------------|---------------|------------------|-------------------|
| G.O. Housing Development Bonds, Series 2011A | \$ 1,285,000 | 1.10 - 3.75 | 12/29/2011 | 01/01/2033 | \$ 1,285,000 |
| G.O. Housing Development Bonds, Series 2005A | 2,445,000 | 3.50 - 4.38 | 08/03/2005 | 01/01/2035 | 1,950,000 |
| G.O. Housing Development Bonds, Series 2003C | 2,000,000 | 4.00 - 5.00 | 09/01/2003 | 01/01/2033 | 1,715,000 |
| Total General Obligation Bonds | | | | | \$ 4,950,000 |

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

| Year Ending December 31 | G.O. Bonds Business-Type Activities | | |
|----------------------------|--|--------------|--------------|
| | Principal | Interest | Total |
| 2013 | \$ - | \$ 118,574 | \$ 118,574 |
| 2014 | 135,000 | 198,381 | 333,381 |
| 2015 | 205,000 | 192,380 | 397,380 |
| 2016 | 200,000 | 185,693 | 385,693 |
| 2017 | 210,000 | 178,703 | 388,703 |
| 2018 - 2022 | 1,175,000 | 770,918 | 1,945,918 |
| 2023 - 2027 | 1,350,000 | 509,011 | 1,859,011 |
| 2028 - 2032 | 1,260,000 | 237,248 | 1,497,248 |
| 2033 - 2035 | 415,000 | 17,750 | 432,750 |
| Total | \$ 4,950,000 | \$ 2,408,658 | \$ 7,358,658 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

4. Long-Term Debt (Continued)

Taxable Revenue Bonds

Taxable revenue bonds outstanding as of December 31, 2012, are as follows:

| Description | Authorized and Issued | Interest Rate (%) | Issue Date | Maturity Date | Ending Balance |
|-------------------------------------|--------------------------|-------------------------|---------------|------------------|-------------------|
| Taxable Revenue Bonds, Series 2006A | \$ 1,200,000 | 2.75 | 11/28/2006 | 01/01/2016 | <u>\$ 970,152</u> |

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

| Year Ending December 31 | Taxable Revenue Bonds Business-Type Activities | | |
|----------------------------|---|------------------|---------------------|
| | Principal | Interest | Total |
| 2013 | \$ 24,797 | \$ 13,706 | \$ 38,503 |
| 2014 | 51,980 | 26,570 | 78,550 |
| 2015 | 53,439 | 25,111 | 78,550 |
| 2016 | 839,936 | 23,674 | 863,610 |
| Total | <u>\$ 970,152</u> | <u>\$ 89,061</u> | <u>\$ 1,059,213</u> |

Note Payable

In 2006, the HRA-EDA entered into an interest-only loan with Chisago County. The note payable outstanding as of December 31, 2012 is as follows:

| Description | Authorized and Issued | Interest Rate (%) | Issue Date | Maturity Date | Ending Balance |
|--------------------------------|--------------------------|-------------------------|---------------|------------------|---------------------|
| Chisago County Promissory Note | \$ 1,000,000 | 3.75 | 11/28/2006 | 11/28/2026 | <u>\$ 1,000,000</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

4. Long-Term Debt

Note Payable (Continued)

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

| Year Ending December 31 | Notes Payable Business-Type Activities | | |
|----------------------------|---|-------------------|---------------------|
| | Principal | Interest | Total |
| 2013 | \$ - | \$ 37,500 | \$ 37,500 |
| 2014 | - | 37,500 | 37,500 |
| 2015 | - | 37,500 | 37,500 |
| 2016 | - | 37,500 | 37,500 |
| 2017 | - | 37,500 | 37,500 |
| 2018 - 2022 | - | 187,500 | 187,500 |
| 2023 - 2026 | 1,000,000 | 150,000 | 1,150,000 |
| Total | <u>\$ 1,000,000</u> | <u>\$ 525,000</u> | <u>\$ 1,525,000</u> |

Mortgages Payable

In 2007, the HRA-EDA assumed three mortgages through the acquisition of Rush Estates I and Rush Estates II, payable to the United States Department of Agriculture, Rural Development. Principal and interest payments are determined based on the rental income and government subsidy received during the year. Information on the mortgages as of December 31, 2012, is as follows:

| Description | Authorized and Issued | Interest Rate (%) | Issue Date | Maturity Date | Ending Balance |
|---|--------------------------|-------------------------|---------------|------------------|-------------------|
| United States Department of Agriculture, Rural Development | | | | | |
| Mortgage 01 | \$ 205,801 | 7.125 | 07/07/2000 | 07/07/2030 | \$ 167,792 |
| Mortgage 02 | 45,896 | 3.000 | 03/05/1968 | 03/05/2018 | 16,316 |
| Mortgage 03 | 382,434 | 7.250 | 06/30/1993 | 06/30/2043 | 350,094 |
| Total Mortgages Payable | | | | | <u>\$ 534,202</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

4. Long-Term Debt

Mortgages Payable (Continued)

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

| Year Ending December 31 | Mortgages Payable Business-Type Activities | | |
|----------------------------|---|-------------------|---------------------|
| | Principal | Interest | Total |
| 2013 | \$ 10,470 | \$ 37,520 | \$ 47,990 |
| 2014 | 11,831 | 36,822 | 48,653 |
| 2015 | 12,577 | 36,076 | 48,653 |
| 2016 | 13,374 | 35,278 | 48,652 |
| 2017 | 14,226 | 34,431 | 48,657 |
| 2018 - 2022 | 68,998 | 158,296 | 227,294 |
| 2023 - 2027 | 97,465 | 128,984 | 226,449 |
| 2028 - 2032 | 95,316 | 90,626 | 185,942 |
| 2033 - 2037 | 80,196 | 27,531 | 107,727 |
| 2038 - 2042 | 115,110 | 27,531 | 142,641 |
| 2043 | 14,639 | 288 | 14,927 |
| Total | <u>\$ 534,202</u> | <u>\$ 613,383</u> | <u>\$ 1,147,585</u> |

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------|----------------------|------------------|---------------------|---------------------|------------------------|
| General obligation bonds | \$ 10,570,000 | \$ - | \$ 5,620,000 | \$ 4,950,000 | \$ - |
| Taxable revenue bonds | 1,041,016 | - | 70,864 | 970,152 | 24,797 |
| Notes payable | 1,000,000 | - | - | 1,000,000 | - |
| Mortgages payable | 544,678 | - | 10,476 | 534,202 | 10,470 |
| Compensated absences | 52,048 | 17,961 | 55,709 | 14,300 | 7,150 |
| Total | <u>\$ 13,207,742</u> | <u>\$ 17,961</u> | <u>\$ 5,757,049</u> | <u>\$ 7,468,654</u> | <u>\$ 42,417</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures (Continued)

C. Other Information

1. Risk Management

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

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

Conduit Debt

The HRA-EDA has issued Tax-Exempt Mortgage Revenue Refunding Bonds on behalf of Franconia Sculpture Park Project, a Minnesota non-profit corporation. The HRA-EDA is not obligated in any manner, as the bonds do not constitute a general obligation or indebtedness of the HRA-EDA and are payable solely from revenues pledged by Franconia Sculpture Park Project. At December 31, 2012, the aggregate principal amount of this conduit debt obligation outstanding amounted to \$500,000.

2. Retirement Plan

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

C. Other Information

2. Retirement Plan (Continued)

Total payroll for employees covered by the plan for the year ended December 31, 2012 was \$151,797. The HRA-EDA made contributions into the plan of \$6,004, \$6,142, and \$6,378 for the years ended December 31, 2012, 2011, and 2010, respectively.

As of December 31, 2012, the plan held no securities issued by the HRA-EDA or other related parties.

3. Commitments and Contingencies - Joint Agreements

Rush City Senior Townhome Agreement

The HRA-EDA partnered with the City of Rush City to build two additional townhomes (total of four units). These townhomes were completed, and three of the four units were sold in 2011 at an estimated loss of \$33,768. The HRA-EDA is financing the remaining unit to be reimbursed upon the sale. The City owns the lot, and will be reimbursed upon sale. There is a potential for a total of 18 townhomes on the site in Rush City.

Small Business Development Center

The HRA-EDA partnered with Central Lakes College to open a Small Business Development Center to provide services to County businesses. The Board approved the required financial contribution of \$4,000 per year plus in-kind contributions for a three-year period beginning in 2011 and ending in 2013. The Executive Director of the HRA-EDA will provide counseling services, and the HRA-EDA will be reimbursed at the rate of \$40 per hour.

4. Related Parties

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

C. Other Information

4. Related Parties (Continued)

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

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

D. Change in Accounting Principle

During 2012, the HRA-EDA implemented several new accounting pronouncements issued by the Governmental Accounting Standards Boards (GASB), including Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,*" and Statement No. 65, "*Items Previously Reported as Assets and Liabilities.*" These standards required retroactive implementation which results in the restatement of beginning balances in the December 31, 2012, financial statements. Changes relating to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 6.A.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

D. Change in Accounting Principle (Continued)

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2011, balances to the December 31, 2012, financial statements:

| <u>Activities/Fund</u> | <u>Net Position December 31, 2011, as Previously Reported</u> | <u>Restatement (1)</u> | <u>Net Position January 1, 2012, as Restated</u> |
|--------------------------|---|------------------------|--|
| Business-type activities | | | |
| General Operations | \$ 2,092,726 | \$ (98,481) | \$ 1,994,245 |
| Bayview Apartments | 652,736 | (97,910) | 554,826 |
| Countryside Apartments | 1,043,264 | (82,725) | 960,539 |
| Southfield Estates | 135,183 | (93,283) | 41,900 |
| Rush Estates I | 63,671 | - | 63,671 |
| Rush Estates II | 6,916 | - | 6,916 |
| | <u>3,994,496</u> | <u>(372,399)</u> | <u>3,622,097</u> |
| Total | <u>\$ 3,994,496</u> | <u>\$ (372,399)</u> | <u>\$ 3,622,097</u> |

(1) Write-off of unamortized bond issuance costs at December 31, 2011.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT A-1

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2012

Other Postemployment Benefits Funding Status

Beginning in 2008, Chisago County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets is zero.

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|-----------------------------|--|--|--|--------------------------|---------------------------|---|
| January 1, 2008 | \$ - | \$ 2,633,579 | \$ 2,633,579 | 0.00% | \$ 16,882,667 | 15.6% |
| January 1, 2010 | - | 2,713,711 | 2,713,711 | 0.00 | 16,326,167 | 16.6 |
| January 1, 2012 | - | 2,858,168 | 2,858,168 | 0.00 | 16,149,992 | 17.7 |

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

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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DEBT SERVICE FUND BUDGETARY COMPARISON

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 4,005,240 | \$ 4,005,240 | \$ 3,999,844 | \$ (5,396) |
| Intergovernmental | 932,996 | 932,996 | 988,383 | 55,387 |
| Total Revenues | \$ 4,938,236 | \$ 4,938,236 | \$ 4,988,227 | \$ 49,991 |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | \$ 2,895,000 | \$ 10,320,000 | \$ 10,436,098 | \$ (116,098) |
| Interest and fiscal charges | 2,043,236 | 2,086,685 | 1,920,087 | 166,598 |
| Bond issuance costs | - | - | 295,982 | (295,982) |
| Administrative charges | - | - | 6,374 | (6,374) |
| Total Expenditures | \$ 4,938,236 | \$ 12,406,685 | \$ 12,658,541 | \$ (251,856) |
| Excess of Revenues Over (Under) Expenditures | \$ - | \$ (7,468,449) | \$ (7,670,314) | \$ (201,865) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ - | \$ 1,047,622 | \$ 1,107,226 | \$ 59,604 |
| Refunding bonds issued | - | 6,424,155 | 25,985,000 | 19,560,845 |
| Premium on bonds issued | - | - | 1,221,481 | 1,221,481 |
| Payments to advance refunding escrow agent | - | - | (15,832,623) | (15,832,623) |
| Payment of capital lease refunded | - | - | (4,653,721) | (4,653,721) |
| Total Other Financing Sources (Uses) | \$ - | \$ 7,471,777 | \$ 7,827,363 | \$ 355,586 |
| Net Change in Fund Balance | \$ - | \$ 3,328 | \$ 157,049 | \$ 153,721 |
| Fund Balance - January 1 | 4,586,981 | 4,586,981 | 4,586,981 | - |
| Fund Balance - December 31 | \$ 4,586,981 | \$ 4,590,309 | \$ 4,744,030 | \$ 153,721 |

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

| | <u>Special Revenue Funds</u> | | | | <u>Total</u> |
|---|------------------------------|--------------------------|--|----------------------------|----------------------------|
| | <u>Parks</u> | <u>Ditch</u> | <u>Lake Improvement District</u> | <u>Solid Waste</u> | |
| <u>Assets</u> | | | | | |
| Cash and pooled investments | \$ 485,661 | \$ 131,358 | \$ 297,406 | \$ 1,199,155 | \$ 2,113,580 |
| Undistributed cash in agency funds | - | 174 | 2,777 | 3,828 | 6,779 |
| Taxes receivable | | | | | |
| Prior | - | - | 23,353 | - | 23,353 |
| Special assessments receivable | | | | | |
| Prior | - | 590 | - | 17,394 | 17,984 |
| Noncurrent | - | - | 13,965 | - | 13,965 |
| Accounts receivable | - | - | - | 720 | 720 |
| Prepaid items | - | - | - | 290 | 290 |
| Total Assets | <u>\$ 485,661</u> | <u>\$ 132,122</u> | <u>\$ 337,501</u> | <u>\$ 1,221,387</u> | <u>\$ 2,176,671</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ - | \$ 4,303 | \$ 11,800 | \$ 8,104 | \$ 24,207 |
| Salaries payable | - | - | 302 | 2,415 | 2,717 |
| Due to other governments | - | - | 40 | 3,643 | 3,683 |
| Deferred revenue - unavailable | - | 590 | 21,854 | 17,394 | 39,838 |
| Deferred revenue - unearned | - | - | 13,965 | - | 13,965 |
| Total Liabilities | <u>\$ -</u> | <u>\$ 4,893</u> | <u>\$ 47,961</u> | <u>\$ 31,556</u> | <u>\$ 84,410</u> |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Prepays | \$ - | \$ - | \$ - | \$ 290 | \$ 290 |
| Restricted for | | | | | |
| Sanitation | - | - | - | 1,189,541 | 1,189,541 |
| Culture and recreation | 485,661 | - | - | - | 485,661 |
| Lake Improvement District | - | - | 289,540 | - | 289,540 |
| Ditch maintenance | - | 127,716 | - | - | 127,716 |
| Unassigned | - | (487) | - | - | (487) |
| Total Fund Balances | <u>\$ 485,661</u> | <u>\$ 127,229</u> | <u>\$ 289,540</u> | <u>\$ 1,189,831</u> | <u>\$ 2,092,261</u> |
| Total Liabilities and Fund Balances | <u>\$ 485,661</u> | <u>\$ 132,122</u> | <u>\$ 337,501</u> | <u>\$ 1,221,387</u> | <u>\$ 2,176,671</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Special Revenue Funds | | | | Total |
|---|-----------------------|-------------------|---------------------------------|---------------------|---------------------|
| | Parks | Ditch | Lake Improvement District | Solid Waste | |
| Revenues | | | | | |
| Taxes | \$ - | \$ - | \$ 239,897 | \$ - | \$ 239,897 |
| Special assessments | - | 9,176 | - | 244,208 | 253,384 |
| Licenses and permits | - | - | - | 9,545 | 9,545 |
| Intergovernmental | 61,303 | - | 825 | 154,579 | 216,707 |
| Charges for services | 13,700 | - | - | 11,803 | 25,503 |
| Total Revenues | \$ 75,003 | \$ 9,176 | \$ 240,722 | \$ 420,135 | \$ 745,036 |
| Expenditures | | | | | |
| Current | | | | | |
| Sanitation | \$ - | \$ - | \$ - | \$ 373,921 | \$ 373,921 |
| Conservation of natural resources | - | 4,304 | 130,350 | - | 134,654 |
| Capital outlay | 80,368 | - | - | - | 80,368 |
| Total Expenditures | \$ 80,368 | \$ 4,304 | \$ 130,350 | \$ 373,921 | \$ 588,943 |
| Excess of Revenues Over (Under) Expenditures | \$ (5,365) | \$ 4,872 | \$ 110,372 | \$ 46,214 | \$ 156,093 |
| Other Financing Sources (Uses) | | | | | |
| Transfers out | - | - | (45,700) | (85,370) | (131,070) |
| Net Change in Fund Balance | \$ (5,365) | \$ 4,872 | \$ 64,672 | \$ (39,156) | \$ 25,023 |
| Fund Balance - January 1 | 491,026 | 122,357 | 224,868 | 1,228,987 | 2,067,238 |
| Fund Balance - December 31 | \$ 485,661 | \$ 127,229 | \$ 289,540 | \$ 1,189,831 | \$ 2,092,261 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON
PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|--------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 83,803 | \$ 61,303 | \$ (22,500) |
| Charges for services | 15,000 | 15,000 | 13,700 | (1,300) |
| Total Revenues | \$ 15,000 | \$ 98,803 | \$ 75,003 | \$ (23,800) |
| Expenditures | | | | |
| Capital outlay | | | | |
| Culture and recreation | 15,000 | 124,686 | 80,368 | 44,318 |
| Net Change in Fund Balance | \$ - | \$ (25,883) | \$ (5,365) | \$ 20,518 |
| Fund Balance - January 1 | 491,026 | 491,026 | 491,026 | - |
| Fund Balance - December 31 | \$ 491,026 | \$ 465,143 | \$ 485,661 | \$ 20,518 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT C-4

**BUDGETARY COMPARISON
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|--------------------------|--------------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Special assessments | \$ 9,500 | \$ 9,500 | \$ 9,176 | \$ (324) |
| Expenditures | | | | |
| Current | | | | |
| Conservation of natural resources | | | | |
| Ditch | 9,500 | 9,500 | 4,304 | 5,196 |
| Net Change in Fund Balance | \$ - | \$ - | \$ 4,872 | \$ 4,872 |
| Fund Balance - January 1 | <u>122,357</u> | <u>122,357</u> | <u>122,357</u> | <u>-</u> |
| Fund Balance - December 31 | <u><u>\$ 122,357</u></u> | <u><u>\$ 122,357</u></u> | <u><u>\$ 127,229</u></u> | <u><u>\$ 4,872</u></u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT C-5

**BUDGETARY COMPARISON
LAKE IMPROVEMENT DISTRICT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 240,570 | \$ 240,570 | \$ 239,897 | \$ (673) |
| Intergovernmental | - | - | 825 | 825 |
| Total Revenues | \$ 240,570 | \$ 240,570 | \$ 240,722 | \$ 152 |
| Expenditures | | | | |
| Current | | | | |
| Conservation of natural resources | | | | |
| Lake Improvement District | 216,462 | 216,462 | 130,350 | 86,112 |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ 24,108 | \$ 24,108 | \$ 110,372 | \$ 86,264 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (30,000) | (30,000) | (45,700) | (15,700) |
| Net Change in Fund Balance | \$ (5,892) | \$ (5,892) | \$ 64,672 | \$ 70,564 |
| Fund Balance - January 1 | 224,868 | 224,868 | 224,868 | - |
| Fund Balance - December 31 | \$ 218,976 | \$ 218,976 | \$ 289,540 | \$ 70,564 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT C-6

**BUDGETARY COMPARISON
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Special assessments | \$ 210,000 | \$ 210,000 | \$ 244,208 | \$ 34,208 |
| Licenses and permits | 8,000 | 8,000 | 9,545 | 1,545 |
| Intergovernmental | 145,761 | 145,761 | 154,579 | 8,818 |
| Charges for services | 16,500 | 16,500 | 11,803 | (4,697) |
| Total Revenues | \$ 380,261 | \$ 380,261 | \$ 420,135 | \$ 39,874 |
| Expenditures | | | | |
| Current | | | | |
| Sanitation | | | | |
| Recycling | \$ 165,998 | \$ 165,998 | \$ 174,137 | \$ (8,139) |
| Hazardous waste | 206,190 | 206,190 | 199,784 | 6,406 |
| Total Expenditures | \$ 372,188 | \$ 372,188 | \$ 373,921 | \$ (1,733) |
| Excess of Revenues Over (Under) Expenditures | \$ 8,073 | \$ 8,073 | \$ 46,214 | \$ 38,141 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (85,200) | (85,200) | (85,370) | (170) |
| Net Change in Fund Balance | \$ (77,127) | \$ (77,127) | \$ (39,156) | \$ 37,971 |
| Fund Balance - January 1 | 1,228,987 | 1,228,987 | 1,228,987 | - |
| Fund Balance - December 31 | \$ 1,151,860 | \$ 1,151,860 | \$ 1,189,831 | \$ 37,971 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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

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

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

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

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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|----------------------|-----------|------------|------------------------|
| <u>EMPLOYEE RECOGNITION</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 3,258 | \$ 304 | \$ - | \$ 3,562 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 3,258 | \$ 304 | \$ - | \$ 3,562 |
| <u>FLEXIBLE BENEFITS PLAN</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 40,205 | \$ 76,799 | \$ 76,541 | \$ 40,463 |
| <u>Liabilities</u> | | | | |
| Deferred benefits | \$ 40,205 | \$ 76,799 | \$ 76,541 | \$ 40,463 |
| <u>REGION 7E</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ - | \$ 87,902 | \$ 87,902 | \$ - |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ - | \$ 87,902 | \$ 87,902 | \$ - |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**EXHIBIT D-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Balance January 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance December 31</u> |
|--------------------------------------|------------------------------|----------------------|----------------------|--------------------------------|
| <u>SCHOOL DISTRICTS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ - | \$ 17,713,600 | \$ 17,713,600 | \$ - |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ - | \$ 17,713,600 | \$ 17,713,600 | \$ - |
| <u>TAX AND PENALTIES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 618,488 | \$ 77,258,440 | \$ 77,048,849 | \$ 828,079 |
| <u>Liabilities</u> | | | | |
| Unapportioned taxes | \$ - | \$ 582,464 | \$ 582,464 | \$ - |
| Unapportioned special assessments | - | 5,900 | 5,900 | - |
| Due to other governments | 618,488 | 76,670,076 | 76,460,485 | 828,079 |
| Total Liabilities | \$ 618,488 | \$ 77,258,440 | \$ 77,048,849 | \$ 828,079 |
| <u>FORFEITED TAX SALE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 7,227 | \$ 76 | \$ - | \$ 7,303 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 7,227 | \$ 76 | \$ - | \$ 7,303 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**EXHIBIT D-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Balance January 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance December 31</u> |
|------------------------------------|------------------------------|---------------------|---------------------|--------------------------------|
| <u>TOWNS AND CITIES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ - | \$ 26,324,153 | \$ 26,324,153 | \$ - |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ - | \$ 26,324,153 | \$ 26,324,153 | \$ - |
| <u>AGENCY</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 175,159 | \$ 2,188,359 | \$ 1,963,494 | \$ 400,024 |
| <u>Liabilities</u> | | | | |
| Unapportioned taxes | \$ - | \$ 56,511 | \$ 56,511 | \$ - |
| Due to other governments | 175,159 | 2,131,848 | 1,906,983 | 400,024 |
| Total Liabilities | \$ 175,159 | \$ 2,188,359 | \$ 1,963,494 | \$ 400,024 |
| <u>LOCAL COLLABORATIVES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 234,397 | \$ 133,156 | \$ 97,798 | \$ 269,755 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 234,397 | \$ 133,156 | \$ 97,798 | \$ 269,755 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**EXHIBIT D-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>Balance January 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance December 31</u> |
|--------------------------------------|------------------------------|-----------------------|-----------------------|--------------------------------|
| <u>TOTAL ALL AGENCY FUNDS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 1,078,734 | \$ 123,782,789 | \$ 123,312,337 | \$ 1,549,186 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 3,258 | \$ 304 | \$ - | \$ 3,562 |
| Unapportioned taxes | - | 638,975 | 638,975 | - |
| Unapportioned special assessments | - | 5,900 | 5,900 | - |
| Deferred benefits | 40,205 | 76,799 | 76,541 | 40,463 |
| Due to other governments | 1,035,271 | 123,060,811 | 122,590,921 | 1,505,161 |
| Total Liabilities | \$ 1,078,734 | \$ 123,782,789 | \$ 123,312,337 | \$ 1,549,186 |

SUPPORTING SCHEDULES

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2012**

| | Assets | | | |
|-----------------------|-------------------|--------------------------------|---------------|-------------------|
| | Cash | Special Assessments Receivable | | Total |
| | | Unapportioned | Delinquent | |
| Judicial Ditch | | | | |
| 2 | \$ (33) | \$ - | \$ - | \$ (33) |
| County Ditches | | | | |
| 1 | (395) | - | - | (395) |
| 2 | 10,234 | - | - | 10,234 |
| 3 | 7,007 | 2 | 48 | 7,057 |
| 4 | 5,064 | 4 | 1 | 5,069 |
| 5 | 32,937 | - | - | 32,937 |
| 6 | 13,146 | - | 57 | 13,203 |
| 7 | 12,248 | 1 | 129 | 12,378 |
| 8 | 3,566 | 82 | 12 | 3,660 |
| 9 | 12,063 | 50 | 306 | 12,419 |
| 10 | 27,148 | 30 | 24 | 27,202 |
| 11 | (59) | - | - | (59) |
| 14 | 8,432 | 5 | 13 | 8,450 |
| Total | \$ 131,358 | \$ 174 | \$ 590 | \$ 132,122 |

EXHIBIT E-1

| <u>Accounts Payable</u> | <u>Liabilities</u> | | <u>Fund Balances</u> | | | <u>Total Liabilities and Fund Balances</u> |
|-------------------------|-------------------------|-----------------|----------------------|-------------------|-------------------|--|
| | <u>Deferred Revenue</u> | <u>Total</u> | <u>Restricted</u> | <u>Unassigned</u> | <u>Total</u> | |
| \$ - | \$ - | \$ - | \$ - | \$ (33) | \$ (33) | \$ (33) |
| - | - | - | - | (395) | (395) | (395) |
| - | - | - | 10,234 | - | 10,234 | 10,234 |
| - | 48 | 48 | 7,009 | - | 7,009 | 7,057 |
| - | 1 | 1 | 5,068 | - | 5,068 | 5,069 |
| - | - | - | 32,937 | - | 32,937 | 32,937 |
| 4,303 | 57 | 4,360 | 8,843 | - | 8,843 | 13,203 |
| - | 129 | 129 | 12,249 | - | 12,249 | 12,378 |
| - | 12 | 12 | 3,648 | - | 3,648 | 3,660 |
| - | 306 | 306 | 12,113 | - | 12,113 | 12,419 |
| - | 24 | 24 | 27,178 | - | 27,178 | 27,202 |
| - | - | - | - | (59) | (59) | (59) |
| - | 13 | 13 | 8,437 | - | 8,437 | 8,450 |
| <u>\$ 4,303</u> | <u>\$ 590</u> | <u>\$ 4,893</u> | <u>\$ 127,716</u> | <u>\$ (487)</u> | <u>\$ 127,229</u> | <u>\$ 132,122</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT E-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Shared Revenue

State

| | | |
|-------------------------|----|------------|
| Highway users tax | \$ | 11,553,268 |
| Market value credit | | 193,996 |
| PERA rate reimbursement | | 48,855 |
| Disparity reduction aid | | 3,579 |
| County program aid | | 1,543,612 |
| Police aid | | 255,125 |
| E-911 | | 137,732 |
| | | 137,732 |

Total shared revenue **\$ 13,736,167**

Reimbursement for Services

State

| | | |
|--|----|---------|
| Minnesota Department of Trial Courts | \$ | 61,515 |
| Minnesota Department of Human Services | | 629,194 |
| | | 629,194 |

Total reimbursement for services **\$ 690,709**

Payments

Local

| | | |
|---------------------------|----|---------|
| Payments in lieu of taxes | \$ | 311,867 |
|---------------------------|----|---------|

Grants

State

| | | |
|--|----|-----------|
| Minnesota Department/Board of | | |
| Corrections | \$ | 262,462 |
| Public Safety | | 1,568,809 |
| Transportation | | 255,380 |
| Health | | 368,082 |
| Natural Resources | | 18,973 |
| Human Services | | 1,429,726 |
| Veteran's Affairs | | 2,298 |
| Water and Soil Resources | | 43,886 |
| Peace Officer Standards and Training Board | | 12,287 |
| Pollution Control Agency | | 186,993 |
| | | 186,993 |

Total state **\$ 4,148,896**

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

***EXHIBIT E-2
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Grants (Continued)

Federal

| | |
|---------------------------|------------|
| Department of | |
| Agriculture | \$ 396,288 |
| Justice | 5,450 |
| Labor | 82 |
| Transportation | 290,997 |
| Energy | 92,921 |
| Health and Human Services | 2,454,139 |
| Homeland Security | 123,491 |
| | <hr/> |

Total federal **\$ 3,363,368**

Total state and federal grants **\$ 7,512,264**

Total Intergovernmental Revenue **\$ 22,251,007**

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT E-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|---|------------------------------------|--------------------------|
| U.S. Department of Agriculture | | |
| Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | \$ 158,109 |
| Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | <u>238,179</u> |
| Total U.S. Department of Agriculture | | <u>\$ 396,288</u> |
| U.S. Department of Justice | | |
| Direct State Criminal Alien Assistance Program | 16.606 | \$ 698 |
| Passed Through Minnesota Department of Public Safety Congressionally Recommended Awards | 16.753 | <u>4,752</u> |
| Total U.S. Department of Justice | | <u>\$ 5,450</u> |
| U.S. Department of Labor | | |
| Passed Through Minnesota Department of Employment and Economic Development Unemployment Insurance - ARRA | 17.225 | <u>\$ 82</u> |
| U.S. Department of Transportation | | |
| Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster | | |
| Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$125,294) | 20.205 | \$ 61,215 |
| Highway Planning and Construction - ARRA (Total Highway Planning and Construction 20.205 \$125,294) | 20.205 | 64,079 |
| Recreational Trails Program | 20.219 | 53,803 |
| Passed Through Isanti County, Minnesota Formula Grants for Other Than Urbanized Areas | 20.509 | 145,570 |
| Passed Through Minnesota Department of Public Safety Highway Safety Cluster | | |
| State and Community Highway Safety | 20.600 | 11,998 |
| Occupant Protection Incentive Grants | 20.602 | 7,000 |
| Safety Belt Performance Grants | 20.609 | 8,000 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | <u>18,489</u> |
| Total U.S. Department of Transportation | | <u>\$ 370,154</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**EXHIBIT E-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|---|------------------------------------|----------------------------|
| U.S. Department of Energy | | |
| Direct | | |
| Energy Efficiency and Conservation Block Grant (EECBG) - ARRA | 81.128 | <u>\$ 92,921</u> |
| U.S. Department of Health and Human Services | | |
| Passed Through Minnesota Department of Human Services | | |
| Public Health Emergency Preparedness | 93.069 | \$ 47,700 |
| Promoting Safe and Stable Families | 93.556 | 15,062 |
| Temporary Assistance for Needy Families (TANF) Cluster | | |
| Temporary Assistance for Needy Families | 93.558 | 335,430 |
| (Total Temporary Assistance for Needy Families 93.558 \$392,173) | | |
| Emergency Contingency Fund for TANF State Program - ARRA | 93.714 | 24,639 |
| Child Support Enforcement | 93.563 | 755,585 |
| Refugee and Entrant Assistance - State-Administered Programs | 93.566 | 538 |
| Child Care and Development Block Grant | 93.575 | 13,813 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 2,328 |
| Foster Care Title IV-E | 93.658 | 53,386 |
| Social Services Block Grant | 93.667 | 259,312 |
| Child Abuse and Neglect - State Grants | 93.669 | 2,465 |
| Chafee Foster Care Independence Program | 93.674 | 3,911 |
| Children's Health Insurance Program | 93.767 | 74 |
| Medical Assistance Program | 93.778 | 849,763 |
| Passed Through Minnesota Department of Health | | |
| Universal Newborn Hearing Screening | 93.251 | 1,125 |
| Immunization Cooperative Agreements | 93.268 | 2,250 |
| Temporary Assistance for Needy Families (TANF) Cluster | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 56,743 |
| (Total Temporary Assistance for Needy Families 93.558 \$392,173) | | |
| Community-Based Child Abuse Prevention Grants | 93.590 | 17,250 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | <u>38,616</u> |
| Total U.S. Department of Health and Human Services | | <u>\$ 2,479,990</u> |
| U.S. Department of Homeland Security | | |
| Passed Through Minnesota Department of Natural Resources | | |
| Boating Safety Financial Assistance | 97.012 | \$ 10,887 |
| Passed Through Minnesota Department of Public Safety | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 38,628 |
| Emergency Management Performance Grants | 97.042 | 44,030 |
| Homeland Security Grant Program | 97.067 | <u>59,553</u> |
| Total U.S. Department of Homeland Security | | <u>\$ 153,098</u> |
| Total Federal Awards | | <u>\$ 3,497,983</u> |

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Page 109

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Chisago County. The County's reporting entity is defined in Note 1.A. to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Chisago County under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Chisago County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Chisago County.

3. Summary of Significant Accounting Policies

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

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

| | |
|---|------------|
| Highway Planning and Construction Cluster | \$ 179,097 |
| Highway Safety Cluster | 26,998 |
| Temporary Assistance for Needy Families Cluster | 416,812 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenues

| | |
|---|---------------------|
| Federal grant revenue per Schedule of Intergovernmental Revenue | \$ 3,363,368 |
| Grants received more than 60 days after year-end, deferred in 2012: | |
| Highway Planning and Construction (CFDA #20.205) | 56,560 |
| Formula Grants for Other Than Urbanized Areas (CFDA #20.509) | 22,597 |
| Child Care and Development Block Grant (CFDA #93.575) | 1,626 |
| Foster Care Title IV-E (CFDA #93.658) | 1,582 |
| Social Services Block Grant (CFDA #93.667) | 21,800 |
| Temporary Assistance for Needy Families (CFDA #93.558) | 843 |
| Emergency Management Performance Grants (CFDA #97.042) | <u>29,607</u> |
| Expenditures Per Schedule of Expenditures of Federal Awards | <u>\$ 3,497,983</u> |

6. Subrecipients

The County did not pass any federal money to subrecipients during the year ended December 31, 2012.

7. American Recovery and Reinvestment Act

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

**Other Information
Section**

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT F-1

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

| | Taxes Payable in Year | | | | | |
|---|-----------------------|---------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|
| | 2011 | | 2012 | | 2013 | |
| | Amount | Net Tax Capacity Rate (%) | Amount | Net Tax Capacity Rate (%) | Amount | Net Tax Capacity Rate (%) |
| Tax Capacity | | | | | | |
| Real property | \$ 48,624,515 | | \$ 42,469,052 | | \$ 39,403,749 | |
| Personal property | 959,908 | | 1,044,465 | | 1,119,543 | |
| Total Tax Capacity | \$ 49,584,423 | | \$ 43,513,517 | | \$ 40,523,292 | |
| Taxes Levied for County Purposes | | | | | | |
| County Revenue | \$ 15,575,958 | 32.089 | \$ 16,867,748 | 39.564 | \$ 16,027,896 | 40.387 |
| Road and Bridge | 5,636,369 | 11.612 | 5,208,420 | 12.217 | 5,271,553 | 13.283 |
| Road and Bridge Bonds | 2,811,322 | 5.748 | 2,606,374 | 6.058 | 2,494,633 | 6.224 |
| Human Services | 5,625,357 | 11.589 | 4,664,086 | 10.940 | 4,384,498 | 11.048 |
| Building Repair | 80,000 | 0.165 | 80,000 | 0.188 | 250,000 | 0.630 |
| Building Repair Bonds | 94,211 | 0.193 | 90,977 | 0.211 | 92,909 | 0.232 |
| Regional Library* | 534,198 | 1.117 | 542,000 | 1.295 | 517,833 | 1.332 |
| Library Bonds | 526,447 | 1.101 | 530,585 | 1.268 | 481,163 | 1.237 |
| Capital Equipment | 59,603 | 0.123 | 59,603 | 0.140 | 500,000 | 1.260 |
| Jail Capital Projects | 94,043 | 0.192 | 76,703 | 0.178 | 267,389 | 0.667 |
| Capital Equipment Notes | 288,916 | 0.591 | 212,730 | 0.494 | 215,670 | 0.538 |
| Highway Building Bonds | - | - | 390,201 | 0.907 | 390,201 | 0.974 |
| Health and Human Services | | | | | | |
| Building Bonds | 97,670 | 0.199 | 97,670 | 0.227 | 83,739 | 0.209 |
| Interim Debt Service | - | - | - | - | 179,536 | 0.448 |
| Total Levy for County Purposes | \$ 31,424,094 | 64.719 | \$ 31,427,097 | 73.687 | \$ 31,157,020 | 78.469 |
| Less Credits Payable by State | 1,756,581 | | 191,395 | | 193,803 | |
| Net Levy for County Purposes | \$ 29,667,513 | | \$ 31,235,702 | | \$ 30,963,217 | |
| Market Value - Light and Power | | | | | | |
| Transmission lines | \$ 4,765,500 | | \$ 4,850,200 | | \$ 5,722,900 | |
| Distribution lines | 1,019,600 | | 1,037,800 | | 1,225,100 | |
| Total Market Value - Light and Power | \$ 5,785,100 | | \$ 5,888,000 | | \$ 6,948,000 | |
| Tax Capacity - Light and Power | | | | | | |
| Transmission lines | \$ 95,310 | | \$ 97,004 | | \$ 114,458 | |
| Distribution lines | 20,392 | | 20,756 | | 24,502 | |
| Total Tax Capacity - Light and Power | \$ 115,702 | | \$ 117,760 | | \$ 138,960 | |

*Levy applies to selected areas only.

(Unaudited)

Page 112

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

*EXHIBIT F-1
(Continued)*

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

| | Taxes Payable in Year | | | | | |
|--|-----------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | 2011 | | 2012 | | 2013 | |
| | Amount | Net Tax Capacity Rate (%) | Amount | Net Tax Capacity Rate (%) | Amount | Net Tax Capacity Rate (%) |
| Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended) | | | | | | |
| Transmission lines - market value | \$ 4,191 | 0.08795 | \$ 4,391 | 0.09053 | \$ 5,351 | 0.09350 |
| Distribution lines - market value | 897 | 0.08795 | 940 | 0.09053 | 1,146 | 0.09350 |
| Transmission lines - tax capacity | 124,548 | 130.677 | 144,966 | 149.444 | 182,574 | 159.513 |
| Distribution lines - tax capacity | 26,648 | 130.677 | 31,018 | 149.444 | 39,083 | 159.513 |
| Total Light and Power Tax Levies | \$ 156,284 | | \$ 181,315 | | \$ 228,154 | |
| Special Assessments | | | | | | |
| Ditch liens, fees, and assessments | \$ 271,620 | | \$ 271,397 | | \$ 270,041 | |
| Percentage of Tax Collections for All Purposes | 96.90% | | 96.75% | | | |

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

STATISTICAL SECTION

This part of Chisago County’s annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County’s overall financial health.

| <u>Contents</u> | <u>Page</u> |
|---|--------------------|
| Financial Trends These schedules contain trend information to help the reader understand how the County’s financial performance and well-being have changed over time. | 115 |
| Revenue Capacity These schedules contain information to help the reader assess the factors affecting the County’s ability to generate its property taxes. | 124 |
| Debt Capacity These schedules contain information to help the reader assess the factors affecting the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future. | 131 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the County’s financial activities take place and to help make comparisons over time and with other governments. | 135 |
| Operating Information These schedules contain information about the County’s operations and resources to help the reader understand how the County’s financial information relates to the services the County provides and the activities it performs. | 137 |
| Sources Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year. | |

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE 1

**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

| | <u>2003</u> <u>(Restated)</u> | <u>2004</u> <u>(Restated)</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|----------------------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities | | | | | |
| Net investment in capital assets | \$ 56,601,312 | \$ 65,187,280 | \$ 72,572,189 | \$ 80,638,861 | \$ 73,197,229 |
| Restricted | 2,265,893 | 2,157,492 | 2,732,264 | 6,782,414 | 4,846,412 |
| Unrestricted | <u>8,566,101</u> | <u>9,921,226</u> | <u>10,415,734</u> | <u>4,367,586</u> | <u>17,842,060</u> |
| Total Net Position | <u>\$ 67,433,306</u> | <u>\$ 77,265,998</u> | <u>\$ 85,720,187</u> | <u>\$ 91,788,861</u> | <u>\$ 95,885,701</u> |
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| Governmental activities | | | | | |
| Net investment in capital assets | \$ 83,046,458 | \$ 91,763,731 | \$ 99,618,353 | \$ 112,327,612 | \$ 114,962,493 |
| Restricted | 5,433,371 | 7,572,797 | 20,106,691 | 18,449,046 | 10,571,003 |
| Unrestricted | <u>14,820,989</u> | <u>17,450,140</u> | <u>6,473,177</u> | <u>12,005,983</u> | <u>27,415,319</u> |
| Total Net Position | <u>\$ 103,300,818</u> | <u>\$ 116,786,668</u> | <u>\$ 126,198,221</u> | <u>\$ 142,782,641</u> | <u>\$ 152,948,815</u> |

Notes:

Chisago County does not engage in any business-type activities.

Chisago County implemented Governmental Accounting Standards Board Statement 63 for the fiscal year ended December 31, 2012. Prior year amounts were not restated.

Source: Chisago County's annual financial statements

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

| | <u>2003</u> | <u>2004 (Restated)</u> | <u>2005</u> | <u>2006</u> |
|---------------------------------------|------------------------|----------------------------|------------------------|------------------------|
| Expenses | | | | |
| General government | \$ 7,981,139 | \$ 8,428,734 | \$ 5,156,497 | \$ 9,425,901 |
| Public safety | 7,132,333 | 7,311,834 | 7,626,890 | 9,870,211 |
| Highways and streets | 4,773,342 | 5,353,007 | 4,901,118 | 7,012,530 |
| Sanitation | 218,631 | 180,781 | 70,095 | 80,520 |
| Human services | 9,989,070 | 10,077,664 | 11,048,988 | 13,198,134 |
| Health | 2,002,607 | 1,993,905 | 2,145,158 | 2,252,484 |
| Culture and recreation | 392,644 | 995,359 | 5,031,182 | 429,249 |
| Conservation of natural resources | 542,583 | 493,022 | 509,716 | 579,089 |
| Economic development | 1,607,447 | 925,765 | 1,041,646 | 1,215,035 |
| Interest | 216,330 | 764,906 | 1,148,606 | 1,590,682 |
| Total Expenses | <u>\$ 34,856,126</u> | <u>\$ 36,524,977</u> | <u>\$ 38,679,896</u> | <u>\$ 45,653,835</u> |
| Program Revenues | | | | |
| Charges for services | | | | |
| General government | \$ 2,591,130 | \$ 2,877,935 | \$ 2,787,038 | \$ 2,575,721 |
| Public safety | 701,775 | 690,715 | 769,629 | 968,128 |
| Human services | 164,373 | 479,492 | 792,037 | 2,579,305 |
| Health | 716,108 | 743,808 | 729,266 | 859,039 |
| Other activities | 751,495 | 1,394,235 | 1,145,689 | 652,754 |
| Operating grants and contributions | 10,089,320 | 9,633,346 | 10,129,585 | 12,735,039 |
| Capital grants and contributions | 7,743,581 | 6,969,988 | 4,428,379 | 2,067,228 |
| Total program revenues | <u>\$ 22,757,782</u> | <u>\$ 22,789,519</u> | <u>\$ 20,781,623</u> | <u>\$ 22,437,214</u> |
| Net (expense)/revenue | <u>\$ (12,098,344)</u> | <u>\$ (13,735,458)</u> | <u>\$ (17,898,273)</u> | <u>\$ (23,216,621)</u> |
| General Revenues | | | | |
| Property taxes | \$ 15,968,556 | \$ 18,538,769 | \$ 21,519,837 | \$ 23,485,715 |
| Gravel taxes | - | - | - | 55,358 |
| Mortgage registry and deed tax | 125,771 | 106,205 | 112,973 | 85,597 |
| Payments in lieu of tax | 223,737 | 225,773 | 228,574 | 585,714 |
| Unrestricted grants and contributions | 4,205,732 | 4,187,118 | 3,608,010 | 3,483,226 |
| Investment earnings | 291,368 | 482,474 | 803,095 | 1,532,803 |
| Insurance dividends | - | - | - | - |
| Miscellaneous | 21,920 | 27,811 | 79,973 | 56,882 |
| Total general revenues | <u>\$ 20,837,084</u> | <u>\$ 23,568,150</u> | <u>\$ 26,352,462</u> | <u>\$ 29,285,295</u> |
| Change in Net Position | <u>\$ 8,738,740</u> | <u>\$ 9,832,692</u> | <u>\$ 8,454,189</u> | <u>\$ 6,068,674</u> |

Notes:

Chisago County does not engage in any business-type activities

Chisago County implemented Governmental Accounting Standards Board Statement 63 for the fiscal year ended December 31, 2012. Prior year amounts were not restated.

Source: Chisago County's annual financial statements

(Unaudited)

Page 116

TABLE 2

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$ 9,543,145 | \$ 10,185,364 | \$ 10,911,564 | \$ 11,664,214 | \$ 10,695,966 | \$ 11,130,866 |
| 11,040,267 | 11,592,485 | 10,097,062 | 11,080,555 | 10,924,587 | 11,140,810 |
| 11,028,603 | 7,387,306 | 7,779,210 | 6,432,904 | 10,509,001 | 12,401,875 |
| 331,909 | 447,775 | 334,342 | 309,618 | 327,024 | 385,494 |
| 9,997,372 | 10,384,380 | 9,680,067 | 8,950,239 | 8,679,096 | 8,748,237 |
| 2,686,486 | 2,914,001 | 2,885,232 | 2,933,008 | 2,834,449 | 2,101,501 |
| 611,105 | 722,872 | 591,247 | 526,555 | 475,769 | 552,993 |
| 602,465 | 935,904 | 835,981 | 935,046 | 1,312,231 | 860,392 |
| 1,300,694 | 1,358,859 | 1,355,708 | 1,538,651 | 1,581,637 | 1,688,537 |
| 2,132,420 | 1,996,537 | 1,887,535 | 1,750,764 | 2,053,550 | 1,787,390 |
| <u>\$ 49,274,466</u> | <u>\$ 47,925,483</u> | <u>\$ 46,357,948</u> | <u>\$ 46,121,554</u> | <u>\$ 49,393,310</u> | <u>\$ 50,798,095</u> |
| \$ 2,344,600 | \$ 2,289,995 | \$ 2,091,635 | \$ 1,978,686 | \$ 2,070,335 | \$ 2,300,478 |
| 987,225 | 1,064,635 | 1,104,768 | 1,094,477 | 1,081,583 | 1,400,387 |
| 681,769 | 467,140 | 558,612 | 492,142 | 616,791 | 970,074 |
| 889,941 | 858,211 | 937,169 | 1,013,572 | 973,201 | 334,925 |
| 927,507 | 594,136 | 703,783 | 370,536 | 1,209,973 | 570,590 |
| 12,893,997 | 11,524,909 | 16,787,898 | 11,860,912 | 17,574,820 | 14,092,488 |
| 2,156,051 | 4,693,823 | 2,538,498 | 4,177,937 | 7,841,697 | 5,551,798 |
| <u>\$ 20,881,090</u> | <u>\$ 21,492,849</u> | <u>\$ 24,722,363</u> | <u>\$ 20,988,262</u> | <u>\$ 31,368,400</u> | <u>\$ 25,220,740</u> |
| <u>\$ (28,393,376)</u> | <u>\$ (26,432,634)</u> | <u>\$ (21,635,585)</u> | <u>\$ (25,133,292)</u> | <u>\$ (18,024,910)</u> | <u>\$ (25,577,355)</u> |
| \$ 26,367,496 | \$ 29,028,664 | \$ 30,504,263 | \$ 30,530,695 | \$ 30,418,914 | \$ 32,170,052 |
| 45,590 | 76,522 | 42,620 | 37,059 | 42,168 | 56,511 |
| 71,978 | 43,125 | 44,967 | 36,518 | 31,719 | 46,947 |
| 585,719 | 588,147 | 596,436 | 595,563 | 313,442 | 311,867 |
| 3,539,746 | 2,986,326 | 3,425,311 | 2,612,239 | 2,607,687 | 1,790,042 |
| 1,786,777 | 1,073,667 | 481,571 | 412,172 | 626,469 | 502,861 |
| - | - | - | 315,739 | 535,230 | 93,633 |
| 92,910 | 51,300 | 26,267 | 4,860 | 33,701 | 771,616 |
| <u>\$ 32,490,216</u> | <u>\$ 33,847,751</u> | <u>\$ 35,121,435</u> | <u>\$ 34,544,845</u> | <u>\$ 34,609,330</u> | <u>\$ 35,743,529</u> |
| <u>\$ 4,096,840</u> | <u>\$ 7,415,117</u> | <u>\$ 13,485,850</u> | <u>\$ 9,411,553</u> | <u>\$ 16,584,420</u> | <u>\$ 10,166,174</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Fund | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ 1,688,227 |
| Unreserved | 5,689,524 | 5,553,405 | 6,956,416 | 6,929,308 |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total General Fund | <u>\$ 5,689,524</u> | <u>\$ 5,553,405</u> | <u>\$ 6,956,416</u> | <u>\$ 8,617,535</u> |
| All other governmental funds | | | | |
| Reserved | \$ 2,581,000 | \$ 2,623,276 | \$ 3,168,967 | \$ 5,094,187 |
| Unreserved, reported in | | | | |
| Special revenue funds | 7,938,624 | 12,073,383 | 13,814,439 | 11,448,553 |
| Capital projects funds | - | - | - | 3,299,917 |
| Debt service fund | - | - | - | 89,000 |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total all other governmental funds | <u>\$ 10,519,624</u> | <u>\$ 14,696,659</u> | <u>\$ 16,983,406</u> | <u>\$ 19,931,657</u> |
| Total Fund Balances of Governmental Funds | <u><u>\$ 16,209,148</u></u> | <u><u>\$ 20,250,064</u></u> | <u><u>\$ 23,939,822</u></u> | <u><u>\$ 28,549,192</u></u> |

Note:

Chisago County implemented Governmental Accounting Standards Board Statement 54 for the fiscal year ended December 31, 2011. Prior year amounts were not restated.

Source: Chisago County's annual financial statements.

TABLE 3

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ | 1,847,359 | \$ 2,171,054 | \$ 2,466,847 | \$ 2,682,605 | \$ - | \$ - |
| | 7,435,385 | 7,795,201 | 9,016,452 | 9,752,649 | - | - |
| | - | - | - | - | 1,347,545 | 1,262,562 |
| | - | - | - | - | 1,662,514 | 1,701,559 |
| | - | - | - | - | 1,058,623 | 2,204,464 |
| | - | - | - | - | 1,913,463 | 2,100,429 |
| | - | - | - | - | 9,449,788 | 12,793,017 |
| | <u>9,282,744</u> | <u>9,966,255</u> | <u>11,483,299</u> | <u>12,435,254</u> | <u>15,431,933</u> | <u>20,062,031</u> |
| \$ | 2,999,053 | \$ 3,262,317 | \$ 5,107,750 | \$ 17,424,086 | \$ - | \$ - |
| | 10,825,526 | 11,544,255 | 13,433,945 | 15,732,053 | - | - |
| | 3,942,274 | 1,153,169 | 890,232 | - | - | - |
| | 409,501 | 38,372 | 664,705 | 636,539 | - | - |
| | - | - | - | - | 924,735 | 1,206,837 |
| | - | - | - | - | 16,786,532 | 8,869,444 |
| | - | - | - | - | 2,468,276 | 595,719 |
| | - | - | - | - | 12,296,775 | 12,566,110 |
| | - | - | - | - | (487) | (487) |
| | <u>18,176,354</u> | <u>15,998,113</u> | <u>20,096,632</u> | <u>33,792,678</u> | <u>32,475,831</u> | <u>23,237,623</u> |
| \$ | <u>27,459,098</u> | <u>25,964,368</u> | <u>31,579,931</u> | <u>46,227,932</u> | <u>47,907,764</u> | <u>43,299,654</u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|----------------------|----------------------|-----------------------|------------------------|
| Revenues | | | | |
| Taxes | \$ 16,026,825 | \$ 18,691,391 | \$ 21,511,677 | \$ 23,505,272 |
| Special assessments | 626,236 | 596,693 | 489,640 | 497,180 |
| Licenses and permits | 777,226 | 858,963 | 809,293 | 627,437 |
| Intergovernmental | 19,055,427 | 22,218,192 | 17,959,533 | 17,468,972 |
| Charges for services | 3,440,181 | 4,001,268 | 4,513,684 | 6,185,207 |
| Fines and forfeits | 396,627 | 452,275 | 344,533 | 239,272 |
| Gifts and contributions | 6,400 | 8,595 | 103,078 | 34,445 |
| Investment earnings | 291,368 | 482,474 | 803,095 | 1,532,803 |
| Miscellaneous | 332,767 | 2,155,576 | 4,948,316 | 545,414 |
| Total Revenues | \$ 40,953,057 | \$ 49,465,427 | \$ 51,482,849 | \$ 50,636,002 |
| Expenditures | | | | |
| General government | \$ 7,720,087 | \$ 9,103,598 | \$ 9,356,009 | \$ 8,381,549 |
| Public safety | 6,937,931 | 7,729,281 | 7,562,347 | 8,971,613 |
| Highways and streets | 11,044,987 | 15,402,053 | 16,399,796 | 13,291,120 |
| Sanitation | 560,689 | 569,369 | 483,479 | 511,701 |
| Human services | 9,946,446 | 10,072,737 | 11,047,989 | 12,499,488 |
| Health | 2,045,615 | 1,987,224 | 2,140,418 | 2,227,734 |
| Culture and recreation | 319,126 | 556,788 | 675,752 | 406,081 |
| Conservation of natural resources | 540,340 | 492,759 | 509,689 | 577,777 |
| Economic development | 442,275 | 549,939 | 596,451 | 665,140 |
| Intergovernmental | 379,619 | 383,631 | 445,141 | 493,641 |
| Capital outlay | - | 1,471,891 | 4,526,337 | 9,631,588 |
| Debt service | | | | |
| Principal | 1,580,000 | 565,831 | 1,550,000 | 1,800,831 |
| Interest and fiscal charges | 348,889 | 460,665 | 1,021,406 | 1,255,484 |
| Bond issue costs | - | - | - | - |
| Payment to escrow | - | 250,000 | - | - |
| Administrative charges | - | - | - | - |
| Total Expenditures | \$ 41,866,004 | \$ 49,595,766 | \$ 56,314,814 | \$ 60,713,747 |
| Excess of revenues over (under) expenditures | \$ (912,947) | \$ (130,339) | \$ (4,831,965) | \$ (10,077,745) |

TABLE 4

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------------------|-----------------------|----------------------|-----------------------|----------------------|------------------------|
| \$ 26,257,374 | \$ 28,907,291 | \$ 30,320,481 | \$ 30,301,692 | \$ 30,487,813 | \$ 32,309,111 |
| 376,786 | 256,767 | 253,702 | 251,930 | 255,897 | 253,384 |
| 429,140 | 378,894 | 326,249 | 310,124 | 454,953 | 538,125 |
| 15,672,594 | 21,858,077 | 24,181,247 | 21,119,339 | 27,840,812 | 22,251,007 |
| 3,738,016 | 3,780,690 | 3,692,119 | 3,712,380 | 4,380,463 | 3,986,423 |
| 238,848 | 277,657 | 230,346 | 215,873 | 175,554 | 152,680 |
| 47,255 | 4,990 | 7,004 | 337,707 | 9,092 | 7,423 |
| 1,786,777 | 1,017,091 | 533,712 | 363,642 | 618,456 | 540,316 |
| 1,558,881 | 680,048 | 988,166 | 780,747 | 1,215,927 | 1,361,298 |
| \$ 50,105,671 | \$ 57,161,505 | \$ 60,533,026 | \$ 57,393,434 | \$ 65,438,967 | \$ 61,399,767 |
| \$ 9,871,460 | \$ 10,508,552 | \$ 10,264,305 | \$ 10,073,241 | \$ 9,634,966 | \$ 10,018,846 |
| 9,498,140 | 9,253,468 | 9,665,095 | 9,528,033 | 9,089,021 | 9,463,866 |
| 13,260,036 | 12,720,193 | 15,587,282 | 18,660,928 | 20,441,149 | 19,330,118 |
| 322,153 | 421,040 | 362,716 | 299,758 | 301,234 | 373,921 |
| 10,382,669 | 10,116,782 | 9,478,687 | 8,872,597 | 8,503,515 | 8,617,005 |
| 2,606,952 | 2,871,440 | 2,847,997 | 2,875,930 | 2,811,044 | 2,305,210 |
| 514,958 | 442,648 | 330,378 | 295,414 | 265,340 | 282,347 |
| 599,864 | 931,653 | 832,177 | 929,357 | 1,303,566 | 850,279 |
| 703,656 | 743,211 | 716,714 | 941,804 | 966,163 | 1,067,784 |
| 518,440 | 565,130 | 567,738 | 551,288 | 534,849 | 534,637 |
| 7,998,604 | 4,614,027 | 738,182 | 2,171,986 | 4,310,179 | 7,643,795 |
| 2,294,266 | 3,300,080 | 5,231,768 | 8,769,691 | 3,932,797 | 10,436,098 |
| 2,008,952 | 2,041,060 | 1,884,205 | 1,689,852 | 1,878,555 | 1,920,087 |
| 63,200 | - | 19,344 | 139,374 | - | 295,982 |
| - | - | - | - | - | 6,374 |
| - | - | 5,743 | 5,756 | 9,524 | - |
| \$ 60,643,350 | \$ 58,529,284 | \$ 58,532,331 | \$ 65,805,009 | \$ 63,981,902 | \$ 73,146,349 |
| \$ (10,537,679) | \$ (1,367,779) | \$ 2,000,695 | \$ (8,411,575) | \$ 1,457,065 | \$ (11,746,582) |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ 1,656,039 | \$ 892,473 | \$ 1,403,025 | \$ 4,436,010 |
| Transfers out | (1,656,039) | (892,473) | (1,403,025) | (4,436,010) |
| Transfers out of primary government | (783,310) | - | - | - |
| Bonds issued | 2,720,000 | 4,000,000 | 7,000,000 | 14,500,000 |
| Capital notes issued | - | - | 1,500,000 | - |
| Refunding bonds issued | - | - | - | - |
| Discount on bonds | - | - | - | - |
| Premium on bonds issued | - | - | 64,304 | 57,493 |
| Discount on notes | - | - | (13,500) | - |
| Payment to refunded bond escrow agent | - | - | - | - |
| Proceeds from sale of capital assets | - | - | - | - |
| Payment of refunded bonds | - | - | - | - |
| Payment of capital lease | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total other financing sources (uses) | <u>\$ 1,936,690</u> | <u>\$ 4,000,000</u> | <u>\$ 8,550,804</u> | <u>\$ 14,557,493</u> |
| Net Change in Fund Balances | <u><u>\$ 1,023,743</u></u> | <u><u>\$ 3,869,661</u></u> | <u><u>\$ 3,718,839</u></u> | <u><u>\$ 4,479,748</u></u> |
| | | | | |
| Debt service as a percentage of noncapital expenditures | 4.61% | 2.65% | 4.97% | 5.98% |

Source: Chisago County's annual financial statements.

TABLE 4
(Continued)

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----------------------|-----------------------|---------------------|----------------------|---------------------|-----------------------|
| \$ 1,689,008 | \$ 7,936,876 | \$ 2,234,092 | \$ 1,265,251 | \$ 2,925,808 | \$ 1,260,931 |
| (1,689,008) | (7,936,876) | (2,234,092) | (1,265,251) | (2,925,808) | (1,260,931) |
| - | - | - | - | - | - |
| 9,460,000 | - | - | 18,350,000 | - | - |
| - | - | - | - | - | - |
| - | - | 3,315,000 | 4,870,000 | - | 25,985,000 |
| (43,488) | - | (37,294) | (165,166) | - | - |
| - | - | 86,628 | - | - | 1,221,481 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 24,936 | 8,396 | 52,860 | 93,633 |
| - | - | - | - | - | (15,832,623) |
| - | - | - | - | - | (4,653,721) |
| <u>\$ 9,416,512</u> | <u>\$ -</u> | <u>\$ 3,389,270</u> | <u>\$ 23,063,230</u> | <u>\$ 52,860</u> | <u>\$ 6,813,770</u> |
| <u>\$ (1,121,167)</u> | <u>\$ (1,367,779)</u> | <u>\$ 5,389,965</u> | <u>\$ 14,651,655</u> | <u>\$ 1,509,925</u> | <u>\$ (4,932,812)</u> |
| 8.29% | 9.91% | 12.36% | 16.67% | 9.75% | 19.33% |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**NET TAX CAPACITY AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

| Payable Year | Net Tax Capacity (1) | | | |
|-------------------------|----------------------------------|---------------------|--------------------------------------|------------------|
| | Real Property | | | |
| | Residential Homestead | Agricultural | Commercial and Industrial | Other (2) |
| 2003 | \$ 18,424,704 | \$ 3,580,007 | \$ 2,944,804 | \$ 2,802,541 |
| 2004 | 21,863,890 | 4,066,814 | 3,691,675 | 3,162,682 |
| 2005 | 25,860,622 | 4,813,221 | 4,430,520 | 3,843,731 |
| 2006 | 29,697,938 | 5,583,199 | 5,036,464 | 4,598,491 |
| 2007 | 33,186,780 | 6,171,638 | 5,966,650 | 5,604,564 |
| 2008 | 34,665,926 | 6,780,646 | 6,561,224 | 6,944,655 |
| 2009 | 33,603,610 | 6,787,363 | 7,140,435 | 7,706,035 |
| 2010 | 32,960,926 | 5,965,838 | 7,562,482 | 7,013,637 |
| 2011 | 29,577,340 | 5,437,856 | 7,490,097 | 6,492,475 |
| 2012 | 24,777,196 | 4,608,732 | 7,305,717 | 6,169,645 |

Notes:

(1) In Minnesota, all taxable property is valued and classified according to its intended use on January 2 of each year. Property is valued at market value, which is defined as the most probable selling price in an arms length transaction. The market value is multiplied by a classification rate set by the State legislature to arrive at a net tax capacity value. The net tax capacity value is used as the tax base for levying, extending, and collecting taxes.

(2) Includes public utility, non-homestead residential, railroad, and seasonal.

(3) Total net tax capacity includes tax increment amounts.

Source: Chisago County Auditor

TABLE 5

| Personal Property | Total Net Tax Capacity (3) | Estimated Market Value | Taxable Market Value | Ratio of Net Tax Capacity to Taxable Market Value | Total Direct Net Tax Rate |
|------------------------------|---------------------------------------|-----------------------------------|---------------------------------|--|--------------------------------------|
| \$ 822,030 | \$ 28,574,086 | \$ 3,160,938,700 | \$ 2,710,806,100 | 1.05% | 63.280 |
| 834,117 | 33,619,178 | 3,757,519,800 | 3,184,617,600 | 1.06% | 60.211 |
| 864,912 | 39,813,006 | 4,515,880,500 | 3,775,596,700 | 1.05% | 58.495 |
| 887,093 | 45,803,185 | 5,153,902,500 | 4,359,363,200 | 1.05% | 54.986 |
| 913,744 | 51,843,376 | 5,670,475,900 | 4,913,509,300 | 1.06% | 54.114 |
| 907,223 | 55,859,674 | 5,990,423,800 | 5,289,796,400 | 1.06% | 54.641 |
| 789,043 | 56,026,486 | 5,794,922,600 | 5,316,652,000 | 1.05% | 57.461 |
| 818,933 | 54,321,816 | 5,392,586,000 | 5,113,872,600 | 1.06% | 59.356 |
| 959,908 | 49,957,676 | 4,884,289,600 | 4,673,872,800 | 1.07% | 64.719 |
| 1,044,908 | 43,906,198 | 4,516,730,100 | 4,063,753,000 | 1.08% | 73.687 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

| Chisago County Direct Tax Rates (1) | | | | | | |
|-------------------------------------|-----------------|---------------------------|----------------------------|-------------------------|-----------------------------|--|
| Fiscal Year | General Levy | Human Services Levy | Road and Bridge Levy | Debt Service Levy | Regional Library Levy | |
| 2003 | 37.870 | 10.922 | 10.086 | 3.031 | 1.371 | |
| 2004 | 35.336 | 10.549 | 9.131 | 3.998 | 1.197 | |
| 2005 | 34.914 | 8.800 | 8.084 | 5.516 | 1.181 | |
| 2006 | 30.780 | 9.142 | 8.934 | 5.041 | 1.089 | |
| 2007 | 29.030 | 9.280 | 9.798 | 4.964 | 1.042 | |
| 2008 | 29.391 | 8.816 | 9.297 | 6.079 | 1.058 | |
| 2009 | 29.534 | 9.220 | 10.497 | 7.142 | 1.068 | |
| 2010 | 30.773 | 8.710 | 10.939 | 7.879 | 1.055 | |
| 2011 | 34.702 | 9.264 | 11.612 | 8.024 | 1.117 | |
| 2012 | 42.209 | 8.622 | 12.217 | 9.344 | 1.295 | |

Number of Taxing Districts
Minimum Tax Capacity rate
Maximum Tax Capacity rate
State General Tax Rate Commercial
State General Tax Rate Seasonal Recreational

Notes:

- (1) Amounts shown above are net tax capacity rates. The rate are calculated by dividing a taxing district's property tax levy by its net tax capacity.
- (2) Special Districts include the Lake Improvement District, Chisago County HRA-EDA, ECRDC, Comfort Lake/Forest Lake Watershed, 916 Technical College, and North Branch EDA/HRA.
- (3) Overlapping rates are those of other local governments that apply to property owners within Chisago County. Not all overlapping rates apply to all property owners in Chisago County. Only those property tax owners who live within the specific geographic boundary of the special taxing district are subject to the special tax district rate. As there are numerous combinations of the cities, schools, and special districts within the County, only the average rates within each taxing district class was given.

Source: Chisago County Auditor

TABLE 6

| Overlapping Rates | | | | | |
|---|---------------------------------|-----------------------------|----------------------------------|---|--|
| Average Rates Within Each Classification | | | | | |
| Total County | Cities and Townships | School Districts | Special Districts (2) | Average Total Direct and Overlapping Rates (3) | Referendum Market Value Rates |
| 63.2800 | 40.064 | 36.696 | 1.542 | 141.5820 | 0.10603 |
| 60.2110 | 36.318 | 27.998 | 1.405 | 125.9320 | 0.06853 |
| 58.4950 | 33.476 | 26.726 | 1.224 | 119.9210 | 0.06327 |
| 54.9860 | 31.226 | 23.667 | 1.162 | 111.0410 | 0.08263 |
| 54.1140 | 30.251 | 21.703 | 1.225 | 107.2930 | 0.08030 |
| 54.6410 | 30.952 | 20.230 | 1.196 | 107.0190 | 0.08926 |
| 57.4610 | 31.837 | 21.141 | 1.741 | 112.1800 | 0.08941 |
| 59.3560 | 33.175 | 22.880 | 2.113 | 117.5240 | 0.08521 |
| 64.7190 | 35.890 | 25.146 | 2.299 | 128.0540 | 0.09049 |
| 73.6870 | 41.060 | 29.015 | 2.545 | 146.3070 | 0.09675 |
| Tax Year 2012 | | | | | |
| | 20 | 7 | 5 | | 8 |
| | 14.335 | 2.514 | 0.207 | | 0.01984 |
| | 79.108 | 44.060 | 4.884 | | 0.27852 |
| | | | | 51.100 | |
| | | | | 20.750 | |

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE 7

**PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

| <u>Taxpayer</u> | <u>2012</u> | | |
|----------------------------------|---------------------------------------|-------------|---|
| | <u>Net Tax Capacity Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Net Tax Capacity Value</u> |
| Xcel Energy | \$ 1,283,964 | 1 | 2.92% |
| North Branch Marketplace | 321,148 | 2 | 0.73% |
| Polaris Industries | 287,828 | 3 | 0.66% |
| Northern Natural Gas | 222,350 | 4 | 0.51% |
| North Branch Outlets 1-21 LLC | 212,260 | 5 | 0.48% |
| Hallberg, Inc. | 189,468 | 6 | 0.43% |
| Fairview Hospital and Healthcare | 149,387 | 7 | 0.34% |
| East Central Energy | 122,062 | 8 | 0.28% |
| Great River Energy | 95,344 | 9 | 0.22% |
| IH Mississippi Valley CU | 91,828 | 10 | 0.21% |
| Total principal taxpayers | \$ 2,975,639 | | 6.78% |
| All other taxpayers | 40,930,559 | | 93.22% |
| Total County | \$ 43,906,198 | | 100.00% |
| <u>2003</u> | | | |
| <u>Taxpayer</u> | <u>Net Tax Capacity Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Net Tax Capacity Value</u> |
| Xcel Energy | \$ 842,728 | 1 | 2.95% |
| Tanger Properties | 158,268 | 2 | 0.55% |
| Cooperative Power Association | 121,200 | 3 | 0.42% |
| Northern Natural Gas | 103,648 | 4 | 0.36% |
| Hallberg, Inc. | 89,040 | 5 | 0.31% |
| East Central Energy | 88,364 | 6 | 0.31% |
| Board of Christian Service | 75,071 | 7 | 0.26% |
| Frank and Marlene Messin | 55,105 | 8 | 0.19% |
| Plastech Research | 45,522 | 9 | 0.16% |
| United Power Association | 45,196 | 10 | 0.16% |
| Total principal taxpayers | \$ 1,624,142 | | 5.68% |
| All other taxpayers | 26,949,944 | | 94.32% |
| Total County | \$ 28,574,086 | | 100.00% |

Source: Chisago County Auditor

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

| Fiscal Year | Total Net Tax Levy | Collected in Year of Levy | Percentage of Levy Collected in Year of Levy |
|------------------------|-------------------------------|--------------------------------------|---|
| 2003 | \$ 17,607,801 | \$ 17,263,953 | 98.05% |
| 2004 | 19,691,326 | 19,303,179 | 98.03% |
| 2005 | 22,668,798 | 22,178,060 | 97.84% |
| 2006 | 24,550,308 | 23,897,816 | 97.34% |
| 2007 | 27,250,842 | 26,426,286 | 96.97% |
| 2008 | 29,773,425 | 28,768,969 | 96.63% |
| 2009 | 31,747,140 | 30,666,855 | 96.60% |
| 2010 | 31,667,667 | 30,536,077 | 96.43% |
| 2011 | 31,667,667 | 30,687,741 | 96.91% |
| 2012 | 31,667,667 | 30,771,471 | 97.17% |

Note:

The total net tax levy includes credits to property tax owners reimbursed to the County by the State of Minnesota. Since 2011, the State no longer provides market value credits to the County but, instead, replaced this with a market value exclusion to the taxpayer.

Source: Chisago County Auditor

TABLE 8

| <u>Collected in Subsequent Years</u> | | <u>Total Tax Collections</u> | <u>Percentage of Total Tax Collections to Tax Levy</u> | <u>Outstanding Delinquent Taxes</u> | <u>Percentage of Delinquent Taxes to Tax Levy</u> |
|--|---------|----------------------------------|--|---|---|
| \$ | 335,394 | \$ 17,599,347 | 99.95% | \$ 8,454 | 0.05% |
| | 377,953 | 19,681,132 | 99.95% | 10,194 | 0.05% |
| | 475,362 | 22,653,422 | 99.93% | 15,376 | 0.07% |
| | 626,432 | 24,524,248 | 99.89% | 26,060 | 0.11% |
| | 763,017 | 27,189,303 | 99.77% | 61,539 | 0.23% |
| | 907,084 | 29,676,053 | 99.67% | 97,372 | 0.33% |
| | 896,997 | 31,563,852 | 99.42% | 183,288 | 0.58% |
| | 881,500 | 31,417,577 | 99.21% | 250,090 | 0.79% |
| | 548,019 | 31,235,760 | 98.64% | 431,907 | 1.36% |
| | - | 30,771,471 | 97.17% | 896,196 | 2.83% |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE 9

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

| Fiscal Year | Governmental Activities | | | Total Debt | Total Debt Per Capita | Percentage of Personal Income |
|------------------------|---|---|---------------------------|-----------------------|----------------------------------|--|
| | General Obligation Bonds | General Obligation Capital Notes | Capital Leases | | | |
| 2003 | \$ 8,910,000 | \$ 185,000 | \$ 4,309,972 | \$ 13,404,972 | \$ 288 | 1.00% |
| 2004 | 12,490,000 | 318,322 | 4,783,297 | 17,591,619 | 363 | 1.25% |
| 2005 | 18,620,000 | 1,667,491 | 8,395,877 | 28,683,368 | 580 | 1.97% |
| 2006 | 32,230,000 | 1,611,660 | 7,813,174 | 41,654,834 | 828 | 2.62% |
| 2007 | 40,640,000 | 1,430,831 | 7,362,349 | 49,433,180 | 980 | 3.08% |
| 2008 | 39,155,000 | 1,225,000 | 5,797,685 | 46,177,685 | 917 | 2.77% |
| 2009 | 37,680,000 | 1,070,000 | 5,582,311 | 44,332,311 | 878 | 2.74% |
| 2010 | 52,585,000 | 910,000 | 5,287,614 | 58,782,614 | 1,091 | 3.30% |
| 2011 | 49,130,000 | 740,000 | 4,979,817 | 54,849,817 | 1,017 | 2.89% |
| 2012 | 51,750,000 | 565,000 | - | 52,315,000 | N/A | N/A |

N/A - information is not available as of date of publication.

Note:

Chisago County does not engage in any business-type activities.

Source: Chisago County's annual financial statements for debt information.
See Table 13 for population and personal income data.

**CHISAGO COUNTY
CENER CITY, MINNESOTA**

TABLE 10

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

| Fiscal Year | General Bonded Debt Outstanding | | | Net General Bonded Debt Outstanding | Percentage of Net Bonded Debt to Taxable Market Value | Total Net Bonded Debt Per Capita |
|-------------|------------------------------------|----------------|------------------------------------|-------------------------------------|---|----------------------------------|
| | General Obligation Bonds and Notes | Capital Leases | Less: Amounts in Debt Service Fund | | | |
| 2003 | \$ 9,095,000 | \$ 4,309,972 | \$ 1,641,846 | \$ 11,763,126 | 0.43% | \$ 253 |
| 2004 | 12,808,322 | 4,783,297 | 1,718,140 | 15,873,479 | 0.50% | 328 |
| 2005 | 20,287,491 | 8,395,877 | 1,986,746 | 26,696,622 | 0.71% | 540 |
| 2006 | 33,841,660 | 7,813,174 | 3,254,599 | 38,400,235 | 0.88% | 764 |
| 2007 | 42,070,831 | 7,362,349 | 2,609,501 | 46,823,679 | 0.95% | 928 |
| 2008 | 40,380,000 | 5,797,685 | 2,683,372 | 43,494,313 | 0.82% | 863 |
| 2009 | 38,750,000 | 5,582,311 | 4,664,705 | 39,667,606 | 0.75% | 786 |
| 2010 | 53,495,000 | 5,287,614 | 5,041,539 | 53,741,075 | 1.05% | 997 |
| 2011 | 49,870,000 | 4,979,817 | 4,586,981 | 50,262,836 | 1.08% | 932 |
| 2012 | 52,315,000 | - | 4,744,030 | 47,570,970 | 1.17% | N/A |

N/A - information is not available as of date of publication.

Note:

Chisago County does not engage in any business-type activities.

Source: Chisago County's annual financial statements for debt information.

See Table 5 for taxable market value of property.

See Table 13 for population and personal income data.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE 11

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF DECEMBER 31, 2012**

| <u>Governmental Unit</u> | <u>General Obligation Debt Outstanding (1)</u> | <u>Percentage of Tax Capacity in Chisago County (2)</u> | <u>General Obligation Debt Applicable to Chisago County</u> |
|--|--|---|---|
| Direct Debt | | | |
| Chisago County | \$ 52,315,000 | 100.00% | \$ 52,315,000 |
| Overlapping Debt | | | |
| City of Center City | \$ 1,172,263 | 100.00% | \$ 1,172,263 |
| City of Chisago City | 6,450,000 | 100.00% | 6,450,000 |
| City of Harris | 866,102 | 100.00% | 866,102 |
| City of Lindstrom | 3,089,627 | 100.00% | 3,089,627 |
| City of North Branch | 56,637,658 | 100.00% | 56,637,658 |
| City of Rush City | 5,475,994 | 100.00% | 5,475,994 |
| City of Shafer | 2,088,069 | 100.00% | 2,088,069 |
| City of Stacy | 7,037,207 | 100.00% | 7,037,207 |
| City of Taylors Falls | 2,394,000 | 100.00% | 2,394,000 |
| City of Wyoming | 4,632,000 | 100.00% | 4,632,000 |
| Amador Township | 755,000 | 100.00% | 755,000 |
| Franconia Township | 155,000 | 100.00% | 155,000 |
| Franconia Township | 210,000 | 100.00% | 210,000 |
| Nessel Township | 110,000 | 100.00% | 110,000 |
| Shafer Township | 70,065 | 100.00% | 70,065 |
| Braham Schools | 8,185,000 | 21.40% | 1,751,590 |
| Cambridge Schools | 73,095,000 | 3.21% | 2,346,350 |
| Chisago Lakes Schools | 21,000,000 | 95.36% | 20,025,600 |
| Forest Lake Schools | 29,930,000 | 13.58% | 4,064,494 |
| North Branch Schools | 49,960,000 | 89.80% | 44,864,080 |
| Rush City Schools | 15,110,000 | 92.63% | 13,996,393 |
| Total Overlapping Debt | \$ 288,422,985 | | \$ 178,191,492 |
| Total Direct and Overlapping Debt | \$ 340,737,985 | | \$ 230,506,492 |

Note:

The overlapping debt is calculated by the percentage of property in each governmental unit subject to taxation by Chisago County.

Sources:

- (1) County Report of Outstanding Indebtedness
- (2) Chisago County Auditor

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE 12

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
| Total market value of taxable property | <u>\$2,710,806,100</u> | <u>\$3,184,617,600</u> | <u>\$3,775,596,700</u> | <u>\$4,359,363,200</u> | <u>\$4,913,509,300</u> |
| Debt limit (% of market value) (1) | <u>\$ 54,216,122</u> | <u>\$ 63,692,352</u> | <u>\$ 75,511,934</u> | <u>\$ 87,187,264</u> | <u>\$ 98,270,186</u> |
| Debt applicable to limit: | | | | | |
| General obligation bonds and notes | \$ 13,404,972 | \$ 17,591,619 | \$ 28,683,368 | \$ 41,654,834 | \$ 49,433,180 |
| Less: Amounts set aside for payment of general obligation debt | <u>(1,641,846)</u> | <u>(1,718,140)</u> | <u>(1,986,746)</u> | <u>(3,254,599)</u> | <u>(2,609,501)</u> |
| Total net debt applicable to limit | <u>\$ 11,763,126</u> | <u>\$ 15,873,479</u> | <u>\$ 26,696,622</u> | <u>\$ 38,400,235</u> | <u>\$ 46,823,679</u> |
| Legal debt margin | <u>\$ 42,452,996</u> | <u>\$ 47,818,873</u> | <u>\$ 48,815,312</u> | <u>\$ 48,787,029</u> | <u>\$ 51,446,507</u> |
| Total net debt applicable to the limit as a percentage of the debt limit | <u>21.70%</u> | <u>24.92%</u> | <u>35.35%</u> | <u>44.04%</u> | <u>47.65%</u> |
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| Total market value of taxable property | <u>\$5,289,796,400</u> | <u>\$5,316,652,000</u> | <u>\$5,113,872,600</u> | <u>\$4,673,872,800</u> | <u>\$4,063,753,000</u> |
| Debt limit (% of market value) (1) | <u>\$ 158,693,892</u> | <u>\$ 159,499,560</u> | <u>\$ 153,416,178</u> | <u>\$ 140,216,184</u> | <u>\$ 121,912,590</u> |
| Debt applicable to limit: | | | | | |
| General obligation bonds and notes | \$ 46,177,685 | \$ 44,332,311 | \$ 58,782,614 | \$ 54,849,817 | \$ 52,315,000 |
| Less: Amounts set aside for payment of general obligation debt | <u>(2,683,372)</u> | <u>(4,664,705)</u> | <u>(5,041,539)</u> | <u>(4,586,981)</u> | <u>(4,744,030)</u> |
| Total net debt applicable to limit | <u>\$ 43,494,313</u> | <u>\$ 39,667,606</u> | <u>\$ 53,741,075</u> | <u>\$ 50,262,836</u> | <u>\$ 47,570,970</u> |
| Legal debt margin | <u>\$ 115,199,579</u> | <u>\$ 119,831,954</u> | <u>\$ 99,675,103</u> | <u>\$ 89,953,348</u> | <u>\$ 74,341,620</u> |
| Total net debt applicable to the limit as a percentage of the debt limit | <u>27.41%</u> | <u>24.87%</u> | <u>35.03%</u> | <u>35.85%</u> | <u>39.02%</u> |

Note:

(1) During 2008, the Minnesota State Legislature changed the statutory rate from 2% of taxable market value to 3% of taxable market value.

Source: Chisago County Auditor - Assessors Abstract

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE 13

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

| Year | Population (1) | Population Growth | Personal Income (2) (in thousands) | Per Capita Personal Income (2) | Labor Force (3) | Unemployment Rates (3) | |
|-------------|-----------------------|--------------------------|---|---------------------------------------|------------------------|-------------------------------|---------------------------|
| | | | | | | Chisago County | State of Minnesota |
| 2003 | 46,472 | 3.32% | \$ 1,363,048 | \$ 28,804 | 26,050 | 5.80% | 4.90% |
| 2004 | 48,424 | 4.20% | 1,426,557 | 29,081 | 26,620 | 5.30% | 4.60% |
| 2005 | 49,417 | 2.05% | 1,478,000 | 29,394 | 27,050 | 4.90% | 4.20% |
| 2006 | 50,278 | 1.74% | 1,626,156 | 31,610 | 27,461 | 4.90% | 4.10% |
| 2007 | 50,433 | 0.31% | 1,665,314 | 31,834 | 27,388 | 5.90% | 4.70% |
| 2008 | 50,384 | -0.10% | 1,754,022 | 33,087 | 27,458 | 6.80% | 5.40% |
| 2009 | 50,489 | 0.21% | 1,717,912 | 32,095 | 27,560 | 10.20% | 8.00% |
| 2010 | 53,887 | 6.73% | 1,784,576 | 33,106 | 28,933 | 9.20% | 7.40% |
| 2011 | 53,929 | 0.08% | 1,895,680 | 35,160 | 28,722 | 7.90% | 6.50% |
| 2012 | Not Available | - | Not Available | Not Available | 28,748 | 6.70% | 5.60% |

Sources:

- (1) Minnesota State Demographic Center (all years excluding 2010), and U.S. Bureau of Census (2010)
- (2) U.S. Department of Commerce, Bureau of Economic Analysis
- (3) Minnesota Department of Employment and Economic Development (annual average, not seasonally adjusted)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

| <u>Function</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| General government (1) | 86.15 | 88.15 | 79.70 | 78.95 |
| Public safety | 78.25 | 86.00 | 87.50 | 88.00 |
| Highways and streets | 37.00 | 39.00 | 39.00 | 39.00 |
| Health and human services | 122.50 | 129.25 | 132.50 | 135.25 |
| Culture and recreation | 2.80 | 2.80 | 2.80 | 2.80 |
| Environmental services | 3.15 | 3.15 | 4.15 | 4.15 |
| Conservation of natural resources | 1.40 | 1.40 | 1.40 | 1.40 |
| Economic development | <u>8.00</u> | <u>8.00</u> | <u>9.00</u> | <u>9.00</u> |
| Total | <u><u>339.25</u></u> | <u><u>357.75</u></u> | <u><u>356.05</u></u> | <u><u>358.55</u></u> |

Note:

(1) In 2005, the State of Minnesota took over the Courts which were previously included in the general government function.

Source: Chisago County Human Resources Department

TABLE 15

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 79.70 | 75.60 | 80.35 | 77.20 | 77.40 | 78.10 |
| 96.50 | 97.50 | 88.50 | 88.50 | 90.00 | 91.00 |
| 42.00 | 38.00 | 35.00 | 35.00 | 33.00 | 34.00 |
| 137.00 | 135.00 | 124.80 | 124.80 | 120.00 | 107.00 |
| 2.80 | 2.80 | 1.50 | 1.50 | 1.80 | 1.80 |
| 4.15 | 4.30 | 4.00 | 4.15 | 4.45 | 4.50 |
| 1.40 | 0.40 | 0.00 | 0.00 | 0.00 | 0.00 |
| <u>9.00</u> | <u>9.00</u> | <u>9.00</u> | <u>9.00</u> | <u>9.00</u> | <u>9.00</u> |
| <u><u>372.55</u></u> | <u><u>362.60</u></u> | <u><u>343.15</u></u> | <u><u>340.15</u></u> | <u><u>335.65</u></u> | <u><u>325.40</u></u> |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

| Function and Program | 2003 | 2004 | 2005 | 2006 |
|---|-------------|-------------|-------------|-------------|
| General Government | | | | |
| Warrants issued | 24,180 | 23,485 | 23,366 | 23,186 |
| Number of documents recorded/processed | 30,293 | 22,844 | 21,258 | 17,761 |
| Number of parcels | 26,811 | 27,393 | 28,014 | 28,944 |
| New housing permits issued | 227 | 250 | 198 | 125 |
| Number of rides given to veterans | N/A | N/A | N/A | N/A |
| Number of veterans' appointments | N/A | N/A | N/A | N/A |
| Public Safety | | | | |
| Adult probation offenders | 1,028 | 1,125 | 1,244 | 1,269 |
| Juvenile probation offenders | 183 | 130 | 155 | 164 |
| Highways and Streets | | | | |
| CSAH/County road projects | 43 | 42 | 40 | 47 |
| Miles of roads graveled | 17.00 | 12.00 | 16.60 | 19.80 |
| Miles of roads shouldered | 154.00 | 25.00 | 194.00 | 88.40 |
| Miles of sealcoating/crack sealing | N/A | N/A | N/A | N/A |
| Public Health | | | | |
| Number of WIC participants | N/A | N/A | N/A | N/A |
| Number of maternal child health visits | N/A | N/A | N/A | N/A |
| Number of follow along (growth and development) visits | 325 | 378 | 350 | 355 |
| Human Services | | | | |
| Number of SNAP (food assistance) cases | N/A | N/A | N/A | N/A |
| Number of health care assistance cases | N/A | N/A | N/A | N/A |
| Number of child support cases | 2,054 | 2,110 | 2,135 | 2,172 |
| Number of child care assistance cases | N/A | N/A | N/A | N/A |
| Unduplicated number of children in out-of-home placements | 188 | 150 | 180 | 213 |
| Dollars spent for children's shelter | N/A | N/A | N/A | \$ 51,411 |
| Dollars spent for children's foster care | N/A | N/A | N/A | \$ 784,233 |
| Dollars spent for children's Rule 5 foster care | N/A | N/A | N/A | \$ 467,694 |
| Number of children's mental health cases | 187 | 230 | 249 | 253 |
| Number of adult mental health cases | 106 | 121 | 191 | 279 |
| Number of DD clients served | 175 | 186 | 199 | 203 |
| Number of elderly clients served | N/A | N/A | N/A | N/A |
| Environmental Services | | | | |
| Tons of hazardous waste collected | N/A | N/A | N/A | N/A |
| Tons of recycling collected | N/A | N/A | N/A | N/A |
| Tons of municipal solid waste collected | N/A | N/A | N/A | N/A |

Source: Various County departments.

N/A - Information is not available.

TABLE 16

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----|-------------|-------------|-------------|-------------|-------------|-------------|
| | 22,677 | 23,092 | 22,055 | 20,572 | 20,176 | 20,198 |
| | 15,030 | 12,112 | 12,982 | 11,966 | 11,582 | 13,813 |
| | 29,793 | 29,834 | 30,386 | 29,329 | 29,426 | 29,433 |
| | 69 | 30 | 23 | 26 | 24 | 48 |
| N/A | | N/A | 301 | 335 | 376 | 390 |
| | N/A | N/A | N/A | N/A | N/A | 678 |
| | 1,361 | 1,426 | 1,310 | 1,180 | 991 | 978 |
| | 142 | 143 | 120 | 116 | 97 | 77 |
| | 36 | 32 | 31 | 44 | 35 | 33.00 |
| | 15.50 | 20.00 | 8.00 | N/A | 19.32 | 8.39 |
| | 8.60 | 54.70 | 144.00 | N/A | 148.92 | 82.05 |
| | N/A | 54.00 | 102.50 | N/A | 30.98 | 9.66 |
| | 1,830 | 1,930 | 1,735 | 1,607 | 1,400 | 1,288 |
| N/A | | 2,097 | 2,389 | 2,560 | 2,150 | 1,620 |
| | 329 | 625 | 1,172 | 1,637 | 2,117 | 2,233 |
| N/A | | 734 | 1,006 | 1,264 | 1,469 | 1,486 |
| N/A | | 2,447 | 2,690 | 2,806 | 3,133 | 3,118 |
| | 2,136 | 2,183 | 2,173 | 2,167 | 2,192 | 2,218 |
| N/A | | N/A | 122 | 124 | 126 | 119 |
| | 154 | 129 | 112 | 92 | 91 | 90 |
| \$ | 54,797 | \$ 40,160 | \$ 39,947 | \$ 15,723 | \$ 8,826 | \$ 10,823 |
| \$ | 660,820 | \$ 417,220 | \$ 247,103 | \$ 166,339 | \$ 124,906 | \$ 152,480 |
| \$ | 268,937 | \$ 178,224 | \$ 281,311 | \$ 86,341 | \$ 109,784 | \$ 120,313 |
| | 206 | 211 | 209 | 157 | 124 | 105 |
| | 294 | 312 | 365 | 344 | 324 | 318 |
| | 221 | 232 | 230 | 241 | 238 | 250 |
| N/A | | N/A | 188 | 215 | 325 | 315 |
| | 109 | 115 | 114 | 117 | 125 | 142 |
| | 8,306 | 8,648 | 8,683 | 8,324 | 8,335 | 11,810 |
| | 23,823 | 22,545 | 21,960 | 21,924 | 26,002 | 25,693 |

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

| <u>Function and Program</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|--|-------------|-------------|-------------|-------------|
| General Government | | | | |
| Courthouse building complex (1) | 1 | 1 | 1 | 1 |
| Motor pool vehicles | 12 | 12 | 12 | 13 |
| Public Safety | | | | |
| Vehicles | N/A | N/A | N/A | N/A |
| Satellite offices | 1 | 1 | 1 | 1 |
| Jail/lockup facilities | 1 | 1 | 1 | 1 |
| Radio towers | 5 | 5 | 5 | 5 |
| Communications center (stand-alone) | - | - | - | - |
| Highways and Streets | | | | |
| Vehicles, light trucks | 18 | 17 | 19 | 21 |
| Miles of county roads | 139 | 139 | 139 | 138 |
| Miles of county state-aid roads | 234 | 234 | 234 | 234 |
| Offices, garages, storage facilities | 6 | 6 | 6 | 6 |
| Graders, loaders, tractors, heavy trucks | 33 | 35 | 40 | 39 |
| Public Health | | | | |
| Nursing homes | | | | |
| Health and Human Services | | | | |
| Office buildings | - | - | - | - |
| Culture and Recreation | | | | |
| Number of County parks | 5 | 5 | 5 | 5 |
| Park buildings and shelters | 15 | 15 | 15 | 16 |
| Number of libraries (2) | - | - | - | 3 |
| Environmental Services | | | | |
| Household hazardous waste facility | 1 | 1 | 1 | 1 |
| Economic Dvelopment | | | | |
| Number of transit buses | N/A | N/A | N/A | N/A |

Notes:

- (1) Also contains office space for general government departments, Health and Human Services, and public safety departments.
- (2) Leased three libraries from the Chisago County HRA-EDA from 2006 through 2012. Beginning in 2012, Chisago County owns these three libraries.

N/A - Information is not available.

Source:

Chisago County Auditor's Department and various other County departments.

TABLE 17

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 1 | 1 | 1 | 1 | 1 | 1 |
| 16 | 16 | 17 | 17 | 17 | 12 |
| 52 | 55 | 55 | 57 | 58 | 62 |
| 1 | 1 | 2 | 2 | 2 | 2 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 5 | 5 | 5 | 5 | 5 | 8 |
| - | - | - | - | - | 1 |
| 24 | 18 | 20 | 18 | 17 | 17 |
| 138 | 135 | 135 | 126 | 127 | 127 |
| 234 | 231 | 234 | 234 | 232 | 232 |
| 6 | 6 | 6 | 6 | 4 | 4 |
| 37 | 42 | 43 | 43 | 42 | 41 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 16 | 16 | 16 | 16 | 16 | 16 |
| 4 | 4 | 4 | 4 | 4 | 4 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 5 | 6 | 6 | 6 | 7 | 7 |

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

| | |
|----------------------------|--------------|
| Child Support Enforcement | CFDA #93.563 |
| Medical Assistance Program | CFDA #93.778 |

The threshold for distinguishing between Types A and B programs was \$300,000.

Chisago County qualified as a low-risk auditee? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-3 Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Chisago County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

Recommendation: We recommend that the County's elected officials and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

Client's Response:

The County is aware of this concern and continues to work with organizational units which collect fees to address specific considerations, within limited staffing and resources constraints.

07-1 Assessing and Monitoring Internal Controls

Criteria: The County's management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition: A risk assessment of existing controls over significant functions of the accounting system used to produce financial information has not been completed.

Context: The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

Effect: Weaknesses in internal control could go undetected, which could affect the County's ability to detect material misstatements in the financial statements.

Cause: The County has not had the staffing resources available to complete the risk assessment process.

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

Client's Response:

The County is aware of the recommendation to conduct a risk assessment of existing controls over significant functions of the accounting system used to produce financial information. Currently undertaken periodically, as time and resources allow, the County agrees with the Auditor's determination of cause as "the County has not had the staffing resources available to complete the risk assessment process."

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

11-1 Davis-Bacon Act

Programs: U.S. Department of Transportation's Highway Planning and Construction (CFDA No. 20.205) and Highway Planning and Construction - ARRA (CFDA No. 20.205)

Pass-Through Agency: Minnesota Department of Transportation

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs.

Condition: The County had no documented monitoring process for determining compliance with the Davis-Bacon Act, which requires the County to pay prevailing wage rates not less than those established by the U.S. Department of Labor on projects funded by federal dollars. Furthermore, the County provided no evidence that it had actually performed procedures to determine compliance with the Davis-Bacon Act.

Questioned Costs: None.

Context: The contractors hired by the County for work on projects funded with federal awards may be paying wages less than the prevailing wage rates established by the U.S. Department of Labor.

Effect: The County has no assurance that its contractors on projects funded with federal awards are in compliance with the Davis-Bacon Act requirements.

Cause: County staff were unaware of how to document compliance with this requirement.

Recommendation: We recommend the County develop written procedures for monitoring compliance with the Davis-Bacon Act. Documentation should exist to support the monitoring of and compliance with this requirement.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Bruce A. Messelt, Chicago County Administrator, 313 North Main St., Room 174, Center City, Minnesota 55012-9663

Corrective Action Planned:

Based upon the identified findings, Chisago County has undertaken the following corrective action(s):

- *Consult with State agencies and Minnesota counties on established compliance procedures - completed*
- *Develop written Department procedures for monitoring compliance with the Davis-Bacon Act - completed, pending final County Board review*
- *Develop documentation to support monitoring of and compliance with the Act - completed*
- *Undertaken training for County officials and staff responsible for compliance - completed*

Anticipated Completion Date:

December 31, 2013

ITEM ARISING THIS YEAR

12-1 Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778)

Pass-Through Agency: Minnesota Department of Human Services

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs.

Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During our review of the program, we found that periodic supervisory case reviews are not being performed. In addition, we noted the following exceptions in 14 of the 40 Medical Assistance case files we selected for testing:

- For one case file, the application was not date-stamped.
- For six case files, there was no documentation of citizen verification.

- For five case files, there was no documentation the Income Verification Eligibility System (IVES) was used.
- For two case files, the updated payroll verification had not been completed or the documentation was missing.
- For seven case files, the updated bank account verification had not been completed or the documentation was missing.
- For two case files, we could find no evidence that eligibility was determined using MAXIS.
- For eight case files, we could find no evidence that eligibility was verified with an outside source.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: The State of Minnesota contracts with the County Health and Human Services Department to perform the “intake function” (meeting with the social services client to determine income and categorical eligibility), while the state maintains the MAXIS system, which supports the eligibility determination process and actually pays the benefits to the participants.

Effect: The lack of case file reviews increases the risk that ineligible participants will receive benefits, and that there will be incorrect, incomplete, or missing items in the files.

Cause: The County is relying on the State of Minnesota to review the case files.

Recommendation: We recommend that the County implement procedures for periodic supervisory case file reviews.

Corrective Action Plan:

Chisago County’s Health and Human Services Department is aware of the issue raised regarding OMB Circular A-133 § .300(b) and the establishment of internal control over federal programs to provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations and contracts, specifically as it relates to U.S. Department of Health and Human Services’ Medical Assistance Program (CFDA No. 93.778).

Name of Contact Person Responsible for Corrective Action:

Bruce A. Messelt, Chicago County Administrator, 313 North Main St., Room 174, Center City, Minnesota 55012-9663

Corrective Action Planned:

Based upon the identified findings, Chisago County will undertake the following corrective action(s):

- *Consult with the Minnesota Department of Human Services and other Minnesota counties on established compliance procedures.*
- *Develop written Department procedures for the conduct of periodic supervisory case reviews regarding eligibility determination.*
- *Develop documentation to support monitoring of and compliance with OMB Circular A-133 § .300(b) as it relates to U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778).*
- *Schedule training for County supervisory staff responsible for compliance.*

Anticipated Completion Date:

December 31, 2013

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Contracts (08-1)

The County did not have the wording required by Minn. Stat § 471.425, subd. 4a, in contracts between the County and a prime contractor, to state that the prime contractor must pay subcontractors within ten days of receipt of payment from the County or pay interest at the rate of one and one-half percent per month or any part of a month.

Resolution

The County added this language to its contracts during 2012.

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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*

Independent Auditor's Report

Board of County Commissioners
Chisago County

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 26, 2013. Other auditors audited the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority, the discretely presented component unit, as described in our report on Chisago County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chisago County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 96-3 and 07-1, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit included all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Chisago County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

Chisago County's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 26, 2013

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Chisago County

Report on Compliance for Each Major Federal Program

We have audited Chisago County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2012. Chisago County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Chisago County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chisago County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Chisago County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Chisago County is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 11-1 and 12-1, that we consider to be significant deficiencies.

Chisago County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Chisago County's responses were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 26, 2013