

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

---

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

**YEAR ENDED DECEMBER 31, 2004**

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

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

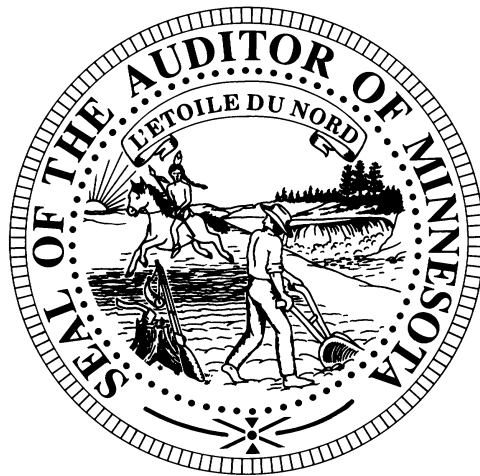
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Year Ended December 31, 2004**



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

This page was left blank intentionally.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

TABLE OF CONTENTS

|   | <u>Reference</u> | <u>Page</u> |
|---|------------------|-------------|
| <b>Introductory Section</b>   |                  |             |
| Organization  |                  | 1           |
| <b>Financial Section</b>  |                  |             |
| Independent Auditor's Report  |                  | 2           |
| Management's Discussion and Analysis  |                  | 4           |
| Basic Financial Statements  |                  |             |
| Government-Wide Financial Statements  |                  |             |
| Statement of Net Assets   | Exhibit 1        | 14          |
| Statement of Activities   | Exhibit 2        | 16          |
| Fund Financial Statements   |                  |             |
| Balance Sheet - Governmental Funds  | Exhibit 3        | 18          |
| Reconciliation of the Governmental Funds Balance Sheet to the<br>Government-Wide Statement of Net Assets - Governmental<br>Activities   | Exhibit 4        | 20          |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances - Governmental Funds   | Exhibit 5        | 21          |
| Reconciliation of the Statement of Revenues, Expenditures, and<br>Changes in Fund Balances of Governmental Funds to the<br>Government-Wide Statement of Activities - Governmental<br>Activities | Exhibit 6        | 23          |
| Statement of Fiduciary Net Assets - Fiduciary Funds   | Exhibit 7        | 24          |
| Notes to the Financial Statements   |                  | 25          |
| Required Supplementary Information  |                  |             |
| Budgetary Comparison Schedules  |                  |             |
| General Fund  | Schedule 1       | 63          |
| Road and Bridge Special Revenue Fund  | Schedule 2       | 65          |
| Human Services Special Revenue Fund   | Schedule 3       | 66          |
| Debt Service Fund   | Schedule 4       | 67          |
| Notes to the Required Supplementary Information   |                  | 68          |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

TABLE OF CONTENTS

|   | Reference   | Page |
|---|-------------|------|
| <b>Financial Section (Continued)</b>  |             |      |
| Supplementary Information   |             |      |
| Combining and Individual Fund Financial Statements  |             |      |
| Governmental Funds  |             |      |
| Description of Nonmajor Funds   |             | 70   |
| Combining Balance Sheet - Nonmajor Governmental Funds   | Statement 1 | 71   |
| Combining Statement of Revenues, Expenditures, and<br>Changes in Fund Balance - Nonmajor Governmental Funds   | Statement 2 | 73   |
| Budgetary Comparison Schedules  |             |      |
| County Building Special Revenue Fund  | Schedule 5  | 75   |
| County Park Special Revenue Fund  | Schedule 6  | 76   |
| Law Library Special Revenue Fund  | Schedule 7  | 77   |
| Solid Waste Special Revenue Fund  | Schedule 8  | 78   |
| Economic Development Special Revenue Fund   | Schedule 9  | 79   |
| Fiduciary Funds   |             |      |
| Statement of Changes in Assets and Liabilities - Agency Fund  | Statement 3 | 80   |
| Other Schedules   |             |      |
| Tax Capacity, Tax Capacity Rates, Levies, and Percentage of<br>Collections  | Schedule 10 | 81   |
| Balance Sheet by Ditch - Ditch Special Revenue Fund   | Schedule 11 | 82   |
| Schedule of Intergovernmental Revenue   | Schedule 12 | 84   |
| <b>Management and Compliance Section</b>  |             |      |
| Schedule of Findings and Questioned Costs   | Schedule 13 | 86   |
| Other Required Reports  |             |      |
| Report on Compliance and on Internal Control Over Financial<br>Reporting Based on an Audit of Financial Statements Performed<br>In Accordance with <i>Government Auditing Standards</i> |             | 93   |
| Report on Compliance with Requirements Applicable to Each<br>Major Program and Internal Control Over Compliance in<br>Accordance with OMB Circular A-133                                |             | 96   |
| Schedule of Expenditures of Federal Awards  | Schedule 14 | 99   |



This page was left blank intentionally.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**ORGANIZATION SCHEDULE  
2004**

| Office                                 | Name                   | Term of Office |               |
|--|------------------------|----------------|---------------|
|  |                        | From           | To            |
| <b>Commissioners</b>                   |                        |                |               |
| 1st District                           | Larry Haws*            | January 2003   | January 2005  |
| 2nd District                           | Mark Sakry             | January 2003   | January 2007  |
| 3rd District                           | Vince Schaefer         | January 2003   | January 2007  |
| 4th District                           | Leigh Lenzmeier        | January 2001   | January 2005  |
| 5th District                           | Don Otte               | January 2003   | January 2007  |
| <b>Officers</b>                        |                        |                |               |
| <b>Elected</b>                         |                        |                |               |
| Attorney                               | Janelle Kendall        | January 2003   | January 2007  |
| Auditor/Treasurer                      | Randy Schreifels       | January 2003   | January 2007  |
| County Recorder/Registrar of<br>Titles | Diane Grundhoefer      | January 2003   | January 2007  |
| Sheriff                                | John Sanner            | January 2003   | January 2007  |
| <b>Appointed</b>                       |                        |                |               |
| Administrator                          | George Rindelaub       |                | Indefinite    |
| Agriculture Inspector                  | John Waldorf           |                | Indefinite    |
| Assessor                               | Gary Grossinger        | January 2005   | December 2009 |
| Emergency Management<br>Extension      | Marvin Klug            |                | Indefinite    |
| Facilities Manager                     | Debbie Botzek-Linn     |                | Indefinite    |
| Highway Engineer                       | Ralph Braegelmann      |                | Indefinite    |
| Human Resources                        | Mitch Anderson         | May 2004       | May 2008      |
| Medical Examiner                       | Jennifer Thorsten      |                | Indefinite    |
| Information Services                   | Dr. David Frederickson | January 2004   | January 2005  |
| Parks                                  | George McClure         |                | Indefinite    |
| Environmental Service                  | Charles Wocken         |                | Indefinite    |
| Purchasing                             | Don Adams              |                | Indefinite    |
| Veterans Service Officer               | Bill Davison           |                | Indefinite    |
| Human Services Director                | Terry Ferdinandt       | February 2004  | March 2008    |
|  | Roma Steil             |                | Indefinite    |

\*Chair

This page was left blank intentionally.



This page was left blank intentionally.



PATRICIA ANDERSON  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Stearns County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Stearns County, Minnesota, as of and for the year ended December 31, 2004, including the Housing and Redevelopment Authority (HRA) of Stearns County as of and for the year ended June 30, 2004, which collectively comprise Stearns County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Stearns County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the HRA of Stearns County, the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the HRA of Stearns County, is based solely on the report of the other auditors.

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

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

aggregate remaining fund information of Stearns County as of December 31, 2004, including the HRA of Stearns County as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 6, 2005, on our consideration of Stearns County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the HRA of Stearns County, which was audited by other auditors.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 6, 2005

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

This page was left blank intentionally.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2004  
(Unaudited)**

This section of Stearns County's annual financial report presents an overview and analysis of the County's financial performance during the fiscal year that ended on December 31, 2004.

**FINANCIAL HIGHLIGHTS**

- The assets of Stearns County exceeded its liabilities by \$180,537,177 (net assets). Of this amount, \$18,003,006 represents unrestricted net assets that may be used to meet the County's ongoing obligations to citizens and creditors. The unrestricted net assets increased by \$8,791,634 (95.4 percent) compared to December 31, 2003.
- The County's total net assets increased by \$11,046,030 or about 6.5 percent over the prior year.
- As of the close of the fiscal year, Stearns County's governmental funds reported combined ending fund balances of \$27,277,560. Of this amount, \$21,774,921, or approximately 80 percent, is available for spending at the County's discretion.
- At the end of the year, unreserved fund balance for the General Fund was \$7,971,668. This is approximately 23.6 percent of total General Fund expenditures during the year and an increase of \$1,362,143 over the Fund's 2003 unreserved fund balance. At the end of 2003, the General Fund's unreserved fund balance was approximately 22.7 percent of total expenditures.
- Total bonded debt at the end of the year was \$18,655,000. In 2004, the County issued no bonds and paid \$4,850,000 of bond principal reducing bonded debt by 20.6 percent.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

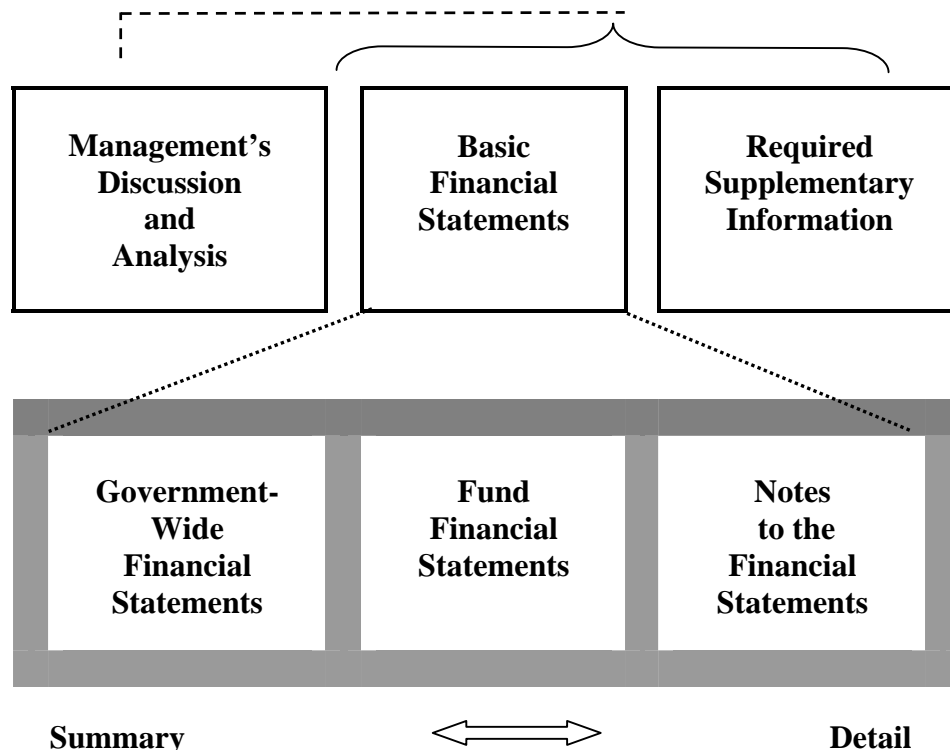
The financial section of the annual report consists of four parts--Independent Auditor's Report, required supplementary information which includes the Management's Discussion and Analysis (MD&A) (this section) and certain budgetary comparison schedules, the basic financial statements, and supplemental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

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

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

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

**Figure A-1  
Annual Report Format**



(Unaudited)

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

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

## **COUNTY-WIDE STATEMENTS**

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

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

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

In the County-wide financial statements the County's activities are shown in one category:

- Governmental activities - The County's basic services are included here. Property taxes and state aids finance most of these activities.

### **Fund Financial Statements**

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

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

### **The County has two kinds of funds:**

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

encompass the additional long-term focus of the county-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- *Fiduciary funds*--The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the County-wide financial statements because the County cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

### Net Assets

The County's net assets were \$180,537,177 on December 31, 2004. (See Table A-1.)

**Table A-1**  
**Stearns County Net Assets**

|  | <u>2004</u>           | <u>2003</u>           | <u>Percent<br/>(%)<br/>Change</u> |
|--|-----------------------|-----------------------|-----------------------------------|
| Current and other assets                                     | \$ 37,928,949         | \$ 38,245,638         | (0.8)                             |
| Capital and non-current assets                               | <u>176,108,717</u>    | <u>169,714,388</u>    | 3.8                               |
| Total Assets   | <u>\$ 214,037,666</u> | <u>\$ 207,960,026</u> | 2.9                               |
| Current liabilities  | \$ 9,767,258          | \$ 9,322,293          | 4.8                               |
| Long-term liabilities  | <u>23,733,231</u>     | <u>29,146,586</u>     | (18.6)                            |
| Total Liabilities  | <u>\$ 33,500,489</u>  | <u>\$ 38,468,879</u>  | (12.9)                            |
| Net assets invested in capital assets<br>net of related debt | \$ 157,618,717        | \$ 155,492,602        | 1.4                               |
| Restricted   | 4,915,454             | 4,787,173             | 2.7                               |
| Unrestricted   | <u>18,003,006</u>     | <u>9,211,372</u>      | 95.4                              |
| Total Net Assets   | <u>\$ 180,537,177</u> | <u>\$ 169,491,147</u> | 6.5                               |

## Changes in Net Assets

The County-wide total revenues were \$88,743,841 for the year ended December 31, 2004. Property taxes and intergovernmental revenues accounted for 89.6 percent of total revenue for the year. (See Figure A-3.)

**Table A-2**  
**Stearns County Changes in Net Assets**  
Governmental Activities

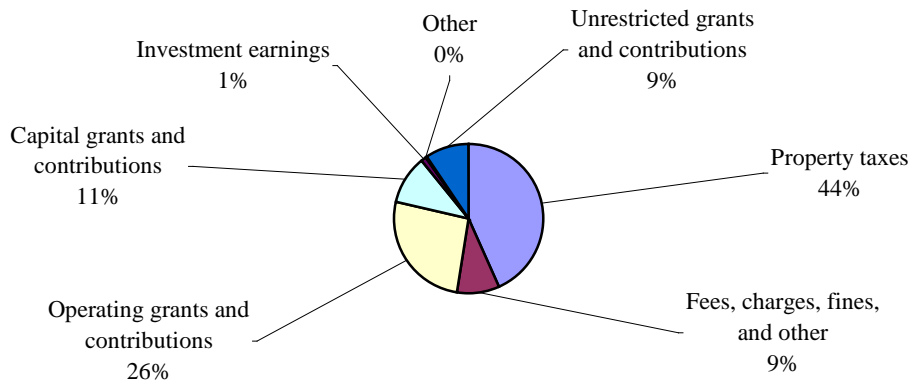
|  | 2004                  | 2003                  | Percent<br>(%)<br>Change |
|--|-----------------------|-----------------------|--------------------------|
| <b>Revenues</b>                                      |                       |                       |                          |
| Program revenues                                     |                       |                       |                          |
| Fees, charges, fines, and other                      | \$ 8,046,067          | \$ 7,510,844          | 7.1                      |
| Operating grants and contributions                   | 23,248,233            | 24,429,698            | (4.8)                    |
| Capital grants and contributions                     | 9,492,502             | 6,618,659             | 43.4                     |
| General revenues                                     |                       |                       |                          |
| Property taxes                                       | 38,448,529            | 35,306,550            | 8.9                      |
| Unrestricted grants and contributions                | 8,305,527             | 8,461,542             | (1.8)                    |
| Investment earnings                                  | 869,733               | 603,716               | 44.1                     |
| Other  | 333,250               | 335,023               | (0.5)                    |
| <b>Total Revenue</b>                                 | <b>\$ 88,743,841</b>  | <b>\$ 83,266,032</b>  | <b>6.6</b>               |
| <b>Expenses</b>                                      |                       |                       |                          |
| General government                                   | \$ 13,196,792         | \$ 11,883,712         | 11.0                     |
| Public safety  | 19,873,047            | 18,329,200            | 8.4                      |
| Highways and streets                                 | 7,823,712             | 13,100,424            | (40.3)                   |
| Sanitation   | 873,256               | 453,434               | 92.6                     |
| Human services                                       | 27,278,471            | 25,181,646            | 8.3                      |
| Health   | 1,654,252             | 1,958,866             | (15.6)                   |
| Culture and recreation                               | 2,953,069             | 3,054,052             | (3.3)                    |
| Conservation of natural resources                    | 3,171,215             | 3,094,005             | 2.5                      |
| Economic development                                 | 73,984                | 50,901                | 45.3                     |
| Interest and fiscal charges on long-term liabilities | 800,013               | 990,258               | (19.2)                   |
| <b>Total Expenses</b>                                | <b>\$ 77,697,811</b>  | <b>\$ 78,096,498</b>  | <b>(0.5)</b>             |
| <b>Increase in Net Assets</b>                        | <b>\$ 11,046,030</b>  | <b>\$ 5,169,534</b>   | <b>113.7</b>             |
| <b>Beginning Net Assets</b>                          | <b>169,491,147</b>    | <b>164,321,613</b>    | <b>3.1</b>               |
| <b>Ending Net Assets</b>                             | <b>\$ 180,537,177</b> | <b>\$ 169,491,147</b> | <b>6.5</b>               |

Total revenues surpassed expenses, increasing net assets \$11,046,030 over last year.

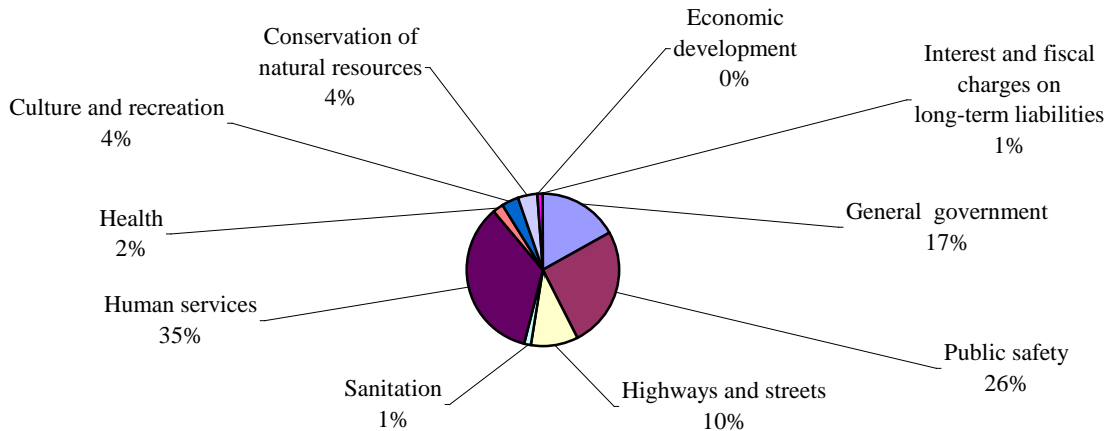
The County-wide cost of all governmental activities this year was \$77,697,811.

- Some of the cost was paid by the users of the County’s programs (\$8,046,067).
- The federal and state governments subsidized certain programs with grants and contributions (\$32,740,735).
- The remaining County costs (\$36,911,009), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$38,448,529 in property taxes, \$8,305,527 in state-aid, and \$1,202,983 with investment earnings and other general revenues.

**Figure A-3  
Sources of County’s Revenues for 2004**



**Figure A-4  
County’s Expenses for 2004**



**Table A-3  
Change in Net Assets**

|                                   | Total Cost of Services |                      |                    | Net Cost of Services |                      |                    |
|-----------------------------------|------------------------|----------------------|--------------------|----------------------|----------------------|--------------------|
|                                   | 2004                   | 2003                 | Percent (%) Change | 2004                 | 2003                 | Percent (%) Change |
| General government                | \$ 13,196,792          | \$ 11,883,712        | 11.0               | \$ 8,526,339         | \$ 7,487,310         | 13.9               |
| Public safety                     | 19,873,047             | 18,329,200           | 8.4                | 12,742,346           | 13,241,608           | (3.8)              |
| Highways and streets              | 7,823,712              | 13,100,424           | (40.3)             | (2,657,120)          | 2,962,667            | (189.7)            |
| Sanitation                        | 873,256                | 453,434              | 92.6               | 223,010              | (42,253)             | 627.8              |
| Human services                    | 27,278,471             | 25,181,646           | 8.3                | 12,313,299           | 10,231,116           | 20.4               |
| Health                            | 1,654,252              | 1,958,866            | (15.6)             | 200,366              | (259,534)            | 177.2              |
| Culture and recreation            | 2,953,069              | 3,054,052            | (3.3)              | 2,762,824            | 2,833,324            | (2.5)              |
| Conservation of natural resources | 3,171,215              | 3,094,005            | 2.5                | 2,029,411            | 2,165,645            | (6.3)              |
| Economic development              | 73,984                 | 50,901               | 45.3               | (29,479)             | (72,844)             | 59.5               |
| Interest                          | 800,013                | 990,258              | (19.2)             | 800,013              | 990,258              | (19.2)             |
| <b>Total</b>                      | <b>\$ 77,697,811</b>   | <b>\$ 78,096,498</b> | <b>(0.5)</b>       | <b>\$ 36,911,009</b> | <b>\$ 39,537,297</b> | <b>(6.6)</b>       |

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

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$27,277,560. Of this amount, \$21,774,921, or approximately 80 percent, is available for spending at the County's discretion.

Revenues for the County's governmental funds were \$89,282,908, while total expenditures were \$90,167,246.

**GENERAL FUND**

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

The following schedule presents a summary of General Fund revenues:

**Table A-4  
General Fund Revenues**

| Source                             | Year Ended December 31 |                      | Change               |             |
|------------------------------------|------------------------|----------------------|----------------------|-------------|
|                                    | 2004                   | 2003                 | Increase/ (Decrease) | Percent (%) |
| Taxes                              | \$ 15,846,931          | \$ 15,536,717        | \$ 310,214           | 2.0         |
| Intergovernmental                  | 9,981,728              | 6,213,010            | 3,768,718            | 60.7        |
| Charges for services               | 3,486,297              | 3,430,406            | 55,891               | 1.6         |
| Investment income                  | 804,420                | 566,571              | 237,849              | 42.0        |
| Miscellaneous and other            | 2,587,702              | 2,124,439            | 463,263              | 21.8        |
| <b>Total General Fund Revenues</b> | <b>\$ 32,707,078</b>   | <b>\$ 27,871,143</b> | <b>\$ 4,835,935</b>  | <b>17.4</b> |

(Unaudited)

Total General Fund revenue increased by \$4,835,935, or 17.4 percent, from the previous year. The mix of property tax and state-aid can change significantly from year to year without any net change in revenue.

The following schedule presents a summary of General Fund expenditures:

**Table A-5  
General Fund Expenditures**

| Function                          | Year Ended December 31 |               | Change                  |                |
|-----------------------------------|------------------------|---------------|-------------------------|----------------|
|                                   | 2004                   | 2003          | Increase/<br>(Decrease) | Percent<br>(%) |
| General government                | \$ 12,112,285          | \$ 11,058,246 | \$ 1,054,039            | 9.5            |
| Public safety                     | 16,475,203             | 12,812,270    | 3,662,933               | 28.6           |
| Culture and recreation            | 2,112,528              | 2,184,602     | (72,074)                | (3.3)          |
| Conservation of natural resources | 3,113,518              | 3,023,270     | 90,248                  | 3.0            |
| Economic development              | 18,500                 | 45,500        | (27,000)                | (59.3)         |
| Total General Fund Expenditures   | \$ 33,832,034          | \$ 29,123,888 | \$ 4,708,146            | 16.2           |

### General Fund Budgetary Highlights

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

- Actual revenues were \$4,281,586 more than expected.
- The actual expenditures were \$2,181,688 more than budget.

### CONSTRUCTION PROJECTS AND DEBT SERVICE

The Capital Project Fund is currently being used to track the capital notes and capital improvement bonds approved by the Board over the past years. The majority of the construction expenditures are for the construction of various capital improvements throughout the County.

An annual levy is made to fund the bond payments for all previous bond issues.

### CAPITAL ASSETS

By the end of 2004, the County had invested over \$220,000,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-6.) (More detailed information about capital assets can be found in Note 2.A.3. to the financial statements.) Total depreciation expense for the year was \$4,749,814.

**Table A-6  
The County's Capital Assets**

|                                     | <u>2004</u>               | <u>2003</u>               | <u>Percent<br/>(%)<br/>Change</u> |
|-------------------------------------|---------------------------|---------------------------|-----------------------------------|
| Land                                | \$ 8,519,103              | \$ 8,046,410              | 5.9                               |
| Construction in progress            | 612,434                   | 367,674                   | 66.6                              |
| Infrastructure                      | 154,144,365               | 145,528,169               | 5.9                               |
| Buildings                           | 44,104,906                | 43,681,433                | 1.0                               |
| Machinery, furniture, and equipment | 12,719,092                | 11,864,160                | 7.2                               |
| Less: accumulated depreciation      | <u>(43,991,183)</u>       | <u>(39,773,458)</u>       | 10.6                              |
| <br>Total                           | <br><u>\$ 176,108,717</u> | <br><u>\$ 169,714,388</u> | <br>3.8                           |

**LONG-TERM LIABILITIES**

At year-end, the County had \$23,733,231 in long-term liabilities outstanding. The current portion of these liabilities is \$4,962,636.

**Table A-7  
The County's Long-Term Liabilities**

|                              | <u>2004</u>              | <u>2003</u>              | <u>Increase/<br/>(Decrease)</u> | <u>Percent<br/>(%)<br/>Change</u> |
|------------------------------|--------------------------|--------------------------|---------------------------------|-----------------------------------|
| General obligation bonds     | \$ 18,682,138            | \$ 23,545,707            | \$ (4,863,569)                  | (20.7)                            |
| Loans payable                | 48,622                   | 92,025                   | (43,403)                        | (47.2)                            |
| Compensated absences payable | <u>5,002,471</u>         | <u>5,508,854</u>         | <u>(506,383)</u>                | (9.2)                             |
| <br>Total                    | <br><u>\$ 23,733,231</u> | <br><u>\$ 29,146,586</u> | <br><u>\$ (5,413,355)</u>       | <br>(18.6)                        |

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

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

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

|   | <b>Primary<br/>Government<br/>Governmental<br/>Activities</b> | <b>Component<br/>Unit<br/>Housing and<br/>Redevelopment<br/>Authority of<br/>Stearns County</b> |
|---|---|---|
| <b><u>Assets</u></b>                          |   |   |
| Cash and pooled investments                   | \$ 26,082,102   | \$ 1,651,947  |
| Petty cash and change funds                   | 6,580   | -   |
| Departmental cash                             | 49,483  | -   |
| Cash with fiscal agent                        | 906,857   | -   |
| Delinquent taxes receivable                   | 707,567   | 163,991   |
| Special assessments receivable                |   |   |
| Delinquent                                    | 38,812  | -   |
| Deferred                                      | 123,682   | -   |
| Accounts receivable                           | 289,679   | 16,740  |
| Accrued interest receivable                   | 85,646  | 2,114   |
| Loans receivable                              | 239,520   | 1,030,078   |
| Due from other governments                    | 8,747,336   | 151,667   |
| Inventories                                   | 467,258   | -   |
| Leases receivable                             | 170,748   | -   |
| Prepaid items                                 | -   | 3,689   |
| Deferred charges                              | 13,679  | 44,464  |
| Capital assets                                |   |   |
| Non-depreciable                               | 9,131,537   | 328,894   |
| Depreciable - net of accumulated depreciation | 166,977,180   | 2,720,568   |
| <b>Total Assets</b>                           | <b>\$ 214,037,666</b>   | <b>\$ 6,114,152</b>   |
| <b><u>Liabilities</u></b>                     |   |   |
| Accounts payable                              | \$ 2,845,871  | \$ 31,023   |
| Salaries payable                              | 2,219,545   | 43,557  |
| Contracts payable                             | 834,950   | -   |
| Due to other governments                      | 1,110,902   | -   |
| Accrued interest payable                      | 199,188   | 15,286  |
| Unearned revenue                              | 2,556,802   | 1,579   |
| Long-term liabilities                         |   |   |
| Due within one year                           | 4,962,636   | 174,686   |
| Due in more than one year                     | 18,770,595  | 1,691,676   |
| <b>Total Liabilities</b>                      | <b>\$ 33,500,489</b>  | <b>\$ 1,957,807</b>   |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

|   | <b>Primary<br/>Government<br/>Governmental<br/>Activities</b> | <b>Component<br/>Unit<br/>Housing and<br/>Redevelopment<br/>Authority of<br/>Stearns County</b> |
|---|---|---|
| <b><u>Net Assets</u></b>                        |   |   |
| Invested in capital assets, net of related debt | \$ 157,618,717  | \$ 1,458,962  |
| Restricted for                                  |   |   |
| General government                              | 94,449  | -   |
| Public safety                                   | 94,593  | -   |
| Sanitation                                      | 57,339  | -   |
| Conservation of natural resources               | 182,187   | -   |
| Economic development                            | 777,309   | -   |
| Debt service                                    | 3,709,577   | 108,089   |
| Future projects                                 | -   | 189,815   |
| Unrestricted                                    | 18,003,006  | 2,399,479   |
| <b>Total Net Assets</b>                         | <b>\$ 180,537,177</b>   | <b>\$ 4,156,345</b>   |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|  | Expenses             | Fees, Charges,<br>Fines and Other |
|--|----------------------|-----------------------------------|
| <b><u>Functions/Programs</u></b>                         |                      |                                   |
| <b>Primary Government</b>                                |                      |                                   |
| <b>Governmental activities</b>                           |                      |                                   |
| General government                                       | \$ 13,196,792        | \$ 4,335,784                      |
| Public safety  | 19,873,047           | 1,177,723                         |
| Highways and streets                                     | 7,823,712            | 87,619                            |
| Sanitation   | 873,256              | 300,753                           |
| Human services   | 27,278,471           | 1,292,894                         |
| Health   | 1,654,252            | 156,561                           |
| Culture and recreation                                   | 2,953,069            | 48,602                            |
| Conservation of natural resources                        | 3,171,215            | 563,465                           |
| Economic development                                     | 73,984               | 82,666                            |
| Interest   | 800,013              | -                                 |
|  | <b>\$ 77,697,811</b> | <b>\$ 8,046,067</b>               |
| <b>Total governmental activities</b>                     |                      |                                   |
| <b>Component unit</b>                                    |                      |                                   |
| Housing and Redevelopment Authority of<br>Stearns County | <b>\$ 2,077,140</b>  | <b>\$ 241,509</b>                 |

**General Revenues**

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

**Total general revenues and other items**

**Change in net assets**

**Net Assets - Beginning**

**Net Assets - Ending**

**EXHIBIT 2**

| <b>Program Revenues</b>                   |   | <b>Net (Expense) Revenue and Changes in Net Assets</b> |   |
|---|---|--|---|
| <b>Operating Grants and Contributions</b> | <b>Capital Grants and Contributions</b> | <b>Primary Government Governmental Activities</b>      | <b>Component Unit Housing and Redevelopment Authority of Stearns County</b> |
| \$ 334,669                                | \$ -                                    | \$ (8,526,339)   |   |
| 3,071,435                                 | 2,881,543                               | (12,742,346)   |   |
| 3,782,254                                 | 6,610,959                               | 2,657,120  |   |
| 349,493                                   | -                                       | (223,010)  |   |
| 13,672,278                                | -                                       | (12,313,299)   |   |
| 1,297,325                                 | -                                       | (200,366)  |   |
| 141,643                                   | -                                       | (2,762,824)  |   |
| 578,339                                   | -                                       | (2,029,411)  |   |
| 20,797                                    | -                                       | 29,479   |   |
| -   | -                                       | (800,013)  |   |
| <b>\$ 23,248,233</b>                      | <b>\$ 9,492,502</b>                     | <b>\$ (36,911,009)</b>                                 |   |
| <b>\$ 1,725,367</b>                       | <b>\$ 25,517</b>                        |  | <b>\$ (84,747)</b>  |
|   |   | \$ 38,448,529  | \$ 220,007  |
|   |   | -  | 125,751   |
|   |   | 21,188   | -   |
|   |   | 75,272   | -   |
|   |   | 8,305,527  | 992,379   |
|   |   | 869,733  | 11,232  |
|   |   | 236,790  | 2,467   |
|   |   | <b>\$ 47,957,039</b>                                   | <b>\$ 1,351,836</b>   |
|   |   | <b>\$ 11,046,030</b>                                   | <b>\$ 1,267,089</b>   |
|   |   | <b>169,491,147</b>                                     | <b>2,889,256</b>  |
|   |   | <b>\$ 180,537,177</b>                                  | <b>\$ 4,156,345</b>   |

This page was left blank intentionally.

**FUND FINANCIAL STATEMENTS**

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

|   | <b>General</b>       | <b>Road and<br/>Bridge</b> |
|---|----------------------|----------------------------|
| <b><u>Assets</u></b>                                      |                      |                            |
| Cash and pooled investments                               | \$ 5,062,391         | \$ 2,602,470               |
| Petty cash and change funds                               | 6,150                | -                          |
| Departmental cash   | 49,483               | -                          |
| Cash with fiscal agent                                    | -                    | -                          |
| Delinquent taxes receivable                               | 288,426              | 57,422                     |
| Special assessments receivable                            |                      |                            |
| Delinquent  | -                    | -                          |
| Deferred  | -                    | -                          |
| Accounts receivable                                       | 276,925              | -                          |
| Accrued interest receivable                               | 79,667               | -                          |
| Loans receivable  | -                    | -                          |
| Due from other funds                                      | 1,308                | -                          |
| Due from other governments                                | 6,643,335            | 501,416                    |
| Inventories   | 17,011               | 449,100                    |
| Leases receivable   | -                    | -                          |
| Advance to other funds                                    | 121,074              | -                          |
|   | <b>\$ 12,545,770</b> | <b>\$ 3,610,408</b>        |
| <b><u>Liabilities and Fund Balances</u></b>               |                      |                            |
| <b>Liabilities</b>  |                      |                            |
| Accounts payable  | \$ 1,240,865         | \$ 312,046                 |
| Salaries payable  | 1,113,418            | 170,187                    |
| Contracts payable   | -                    | 832,511                    |
| Due to other funds  | -                    | -                          |
| Due to other governments                                  | 950,410              | 101,713                    |
| Deferred revenue - unavailable                            | 217,729              | 418,967                    |
| Deferred revenue - unearned                               | 724,553              | 1,416,446                  |
| Advance from other funds                                  | -                    | -                          |
|   | <b>\$ 4,246,975</b>  | <b>\$ 3,251,870</b>        |
| <b>Fund Balances</b>                                      |                      |                            |
| Reserved (Note 2.D.)                                      | \$ 327,127           | \$ 449,100                 |
| Unreserved  |                      |                            |
| Designated (Note 2.D.)                                    | 7,971,668            | -                          |
| Undesignated  | -                    | (90,562)                   |
| Unreserved, reported in nonmajor<br>Special revenue funds | -                    | -                          |
|   | <b>\$ 8,298,795</b>  | <b>\$ 358,538</b>          |
| <b>Total Liabilities and Fund Balances</b>                | <b>\$ 12,545,770</b> | <b>\$ 3,610,408</b>        |

**EXHIBIT 3**

| <b>Human Services</b> | <b>Debt Service</b> | <b>Capital Projects</b> | <b>Other Governmental Funds</b> | <b>Total Governmental Funds</b> |
|-----------------------|---------------------|-------------------------|---------------------------------|---------------------------------|
| \$ 8,513,340          | \$ 2,877,098        | \$ 4,257,338            | \$ 2,769,465                    | \$ 26,082,102                   |
| 330                   | -                   | -                       | 100                             | 6,580                           |
| -                     | -                   | -                       | -                               | 49,483                          |
| -                     | 906,857             | -                       | -                               | 906,857                         |
| 255,176               | 95,326              | -                       | 11,217                          | 707,567                         |
| -                     | 4,584               | -                       | 34,228                          | 38,812                          |
| -                     | 5,010               | -                       | 118,672                         | 123,682                         |
| 2,750                 | -                   | -                       | 10,004                          | 289,679                         |
| -                     | 5,979               | -                       | -                               | 85,646                          |
| -                     | -                   | -                       | 239,520                         | 239,520                         |
| -                     | -                   | -                       | -                               | 1,308                           |
| 1,601,764             | 821                 | -                       | -                               | 8,747,336                       |
| -                     | -                   | -                       | 1,147                           | 467,258                         |
| -                     | 170,748             | -                       | -                               | 170,748                         |
| -                     | -                   | -                       | -                               | 121,074                         |
| <b>\$ 10,373,360</b>  | <b>\$ 4,066,423</b> | <b>\$ 4,257,338</b>     | <b>\$ 3,184,353</b>             | <b>\$ 38,037,652</b>            |
| \$ 1,101,184          | \$ -                | \$ 53,157               | \$ 138,619                      | \$ 2,845,871                    |
| 911,856               | -                   | -                       | 24,084                          | 2,219,545                       |
| -                     | -                   | 2,439                   | -                               | 834,950                         |
| 1,308                 | -                   | -                       | -                               | 1,308                           |
| 45,593                | -                   | 3,968                   | 9,218                           | 1,110,902                       |
| 189,266               | 82,024              | -                       | 161,654                         | 1,069,640                       |
| 5,535                 | 170,748             | -                       | 239,520                         | 2,556,802                       |
| -                     | 104,074             | -                       | 17,000                          | 121,074                         |
| <b>\$ 2,254,742</b>   | <b>\$ 356,846</b>   | <b>\$ 59,564</b>        | <b>\$ 590,095</b>               | <b>\$ 10,760,092</b>            |
| \$ -                  | \$ 3,709,577        | \$ -                    | \$ 1,016,835                    | \$ 5,502,639                    |
| 8,118,618             | -                   | 4,197,774               | 37,528                          | 20,325,588                      |
| -                     | -                   | -                       | -                               | (90,562)                        |
| -                     | -                   | -                       | 1,539,895                       | 1,539,895                       |
| <b>\$ 8,118,618</b>   | <b>\$ 3,709,577</b> | <b>\$ 4,197,774</b>     | <b>\$ 2,594,258</b>             | <b>\$ 27,277,560</b>            |
| <b>\$ 10,373,360</b>  | <b>\$ 4,066,423</b> | <b>\$ 4,257,338</b>     | <b>\$ 3,184,353</b>             | <b>\$ 38,037,652</b>            |

This page was left blank intentionally.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004**

|  |                 |                           |
|--|-----------------|---------------------------|
| <b>Fund balances - total governmental funds (Exhibit 3)</b>  | <b>\$</b>       | <b>27,277,560</b>         |
| Amounts reported for governmental activities in the statement of net assets are different because:   |                 |                           |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. |                 | 176,108,717               |
| Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.                                      |                 | 1,069,640                 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.                |                 |                           |
| General obligation bonds - net of premium  | \$ (18,682,138) |                           |
| Loans payable  | (48,622)        |                           |
| Compensated absences   | (5,002,471)     |                           |
| Accrued interest payable   | (199,188)       |                           |
| Deferred debt issuance charges   | 13,679          |                           |
|  | (23,918,740)    |                           |
| <b>Net assets of governmental activities (Exhibit 1)</b>   | <b>\$</b>       | <b><u>180,537,177</u></b> |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|  | <b>General</b>        | <b>Road and<br/>Bridge</b> |
|--|-----------------------|----------------------------|
| <b>Revenues</b>  |                       |                            |
| Taxes  | \$ 15,846,931         | \$ 2,727,943               |
| Special assessments                                    | -                     | -                          |
| Licenses and permits                                   | 514,559               | -                          |
| Intergovernmental                                      | 9,981,728             | 10,788,474                 |
| Charges for services                                   | 3,486,297             | 47,256                     |
| Fines and forfeits                                     | 62,173                | -                          |
| Gifts and contributions                                | -                     | -                          |
| Investment income                                      | 804,420               | -                          |
| Miscellaneous  | 2,010,970             | 40,363                     |
|  | <b>\$ 32,707,078</b>  | <b>\$ 13,604,036</b>       |
| <b>Expenditures</b>                                    |                       |                            |
| <b>Current</b>   |                       |                            |
| General government                                     | \$ 12,112,285         | \$ -                       |
| Public safety  | 14,029,540            | -                          |
| Highways and streets                                   | -                     | 13,332,962                 |
| Sanitation   | -                     | -                          |
| Human services   | -                     | -                          |
| Health   | -                     | -                          |
| Culture and recreation                                 | 2,112,528             | -                          |
| Conservation of natural resources                      | 3,113,518             | 64,812                     |
| Economic development                                   | 18,500                | -                          |
| <b>Intergovernmental</b>                               |                       |                            |
| Public safety  | 2,445,663             | -                          |
| Highways and streets                                   | -                     | 530,847                    |
| <b>Capital outlay</b>                                  | -                     | -                          |
| <b>Debt service</b>                                    |                       |                            |
| Principal retirement                                   | -                     | -                          |
| Interest   | -                     | -                          |
|  | <b>\$ 33,832,034</b>  | <b>\$ 13,928,621</b>       |
| <b>Excess of Revenues Over (Under) Expenditures</b>    | <b>\$ (1,124,956)</b> | <b>\$ (324,585)</b>        |
| <b>Other Financing Sources (Uses)</b>                  |                       |                            |
| Transfers in   | \$ 2,594,961          | \$ 1,249,113               |
| Transfers out  | (374,037)             | (128,575)                  |
| Proceeds from sale of capital assets                   | 9,575                 | -                          |
|  | <b>\$ 2,230,499</b>   | <b>\$ 1,120,538</b>        |
| <b>Net Change in Fund Balances</b>                     | <b>\$ 1,105,543</b>   | <b>\$ 795,953</b>          |
| <b>Fund Balance - January 1</b>                        | <b>7,193,252</b>      | <b>(487,882)</b>           |
| <b>Increase (decrease) in reserved for inventories</b> | <b>-</b>              | <b>50,467</b>              |
|  | <b>\$ 8,298,795</b>   | <b>\$ 358,538</b>          |
| <b>Fund Balance - December 31</b>                      | <b>\$ 8,298,795</b>   | <b>\$ 358,538</b>          |

**EXHIBIT 5**

| <b>Human Services</b> | <b>Debt Service</b> | <b>Capital Projects</b> | <b>Other Governmental Funds</b> | <b>Total Governmental Funds</b> |
|-----------------------|---------------------|-------------------------|---------------------------------|---------------------------------|
| \$ 14,298,710         | \$ 4,966,403        | \$ -                    | \$ 555,948                      | \$ 38,395,935                   |
| -                     | 8,152               | -                       | 387,736                         | 395,888                         |
| -                     | -                   | -                       | 40,531                          | 555,090                         |
| 19,125,248            | 599,856             | 97,904                  | 195,954                         | 40,789,164                      |
| 541,310               | -                   | -                       | 287,383                         | 4,362,246                       |
| -                     | -                   | -                       | 149,750                         | 211,923                         |
| -                     | -                   | -                       | 22,399                          | 22,399                          |
| -                     | 57,603              | -                       | 28,507                          | 890,530                         |
| 1,255,790             | 226,505             | 710                     | 125,395                         | 3,659,733                       |
| <b>\$ 35,221,058</b>  | <b>\$ 5,858,519</b> | <b>\$ 98,614</b>        | <b>\$ 1,793,603</b>             | <b>\$ 89,282,908</b>            |
| \$ -                  | \$ 15,000           | \$ 55,000               | \$ 273,066                      | \$ 12,455,351                   |
| 4,278,873             | -                   | -                       | 10,297                          | 18,318,710                      |
| -                     | -                   | -                       | 36,850                          | 13,369,812                      |
| -                     | -                   | -                       | 339,555                         | 339,555                         |
| 27,606,801            | -                   | -                       | -                               | 27,606,801                      |
| 1,652,663             | -                   | -                       | -                               | 1,652,663                       |
| -                     | -                   | -                       | 775,028                         | 2,887,556                       |
| -                     | -                   | -                       | 938                             | 3,179,268                       |
| -                     | -                   | -                       | 55,484                          | 73,984                          |
| -                     | -                   | -                       | -                               | 2,445,663                       |
| -                     | -                   | -                       | -                               | 530,847                         |
| -                     | -                   | 1,504,477               | -                               | 1,504,477                       |
| -                     | 4,800,000           | -                       | 93,403                          | 4,893,403                       |
| -                     | 897,585             | -                       | 11,571                          | 909,156                         |
| <b>\$ 33,538,337</b>  | <b>\$ 5,712,585</b> | <b>\$ 1,559,477</b>     | <b>\$ 1,596,192</b>             | <b>\$ 90,167,246</b>            |
| <b>\$ 1,682,721</b>   | <b>\$ 145,934</b>   | <b>\$ (1,460,863)</b>   | <b>\$ 197,411</b>               | <b>\$ (884,338)</b>             |
| \$ 340,448            | \$ -                | \$ -                    | \$ 26,121                       | \$ 4,210,643                    |
| (311,672)             | -                   | (3,394,577)             | (1,782)                         | (4,210,643)                     |
| -                     | -                   | -                       | -                               | 9,575                           |
| <b>\$ 28,776</b>      | <b>\$ -</b>         | <b>\$ (3,394,577)</b>   | <b>\$ 24,339</b>                | <b>\$ 9,575</b>                 |
| <b>\$ 1,711,497</b>   | <b>\$ 145,934</b>   | <b>\$ (4,855,440)</b>   | <b>\$ 221,750</b>               | <b>\$ (874,763)</b>             |
| <b>6,407,121</b>      | <b>3,563,643</b>    | <b>9,053,214</b>        | <b>2,372,508</b>                | <b>28,101,856</b>               |
| <b>-</b>              | <b>-</b>            | <b>-</b>                | <b>-</b>                        | <b>50,467</b>                   |
| <b>\$ 8,118,618</b>   | <b>\$ 3,709,577</b> | <b>\$ 4,197,774</b>     | <b>\$ 2,594,258</b>             | <b>\$ 27,277,560</b>            |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (874,763)**

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

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

|  |               |           |
|--|---------------|-----------|
| Expenditures for general capital assets, infrastructure, and other related capital assets adjustment | \$ 11,144,143 |           |
| Current year depreciation  | (4,749,814)   | 6,394,329 |
|  |               |           |

|  |  |          |
|--|--|----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. |  | (32,932) |
|--|--|----------|

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

|   |              |           |
|---|--------------|-----------|
| Principal repayments                        |              |           |
| General obligation bonds                    | \$ 4,850,000 |           |
| Loans                                       | 43,403       |           |
| Current year amortization of issuance costs | 6,729        | 4,900,132 |
|   |              |           |

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

|                                    |            |         |
|------------------------------------|------------|---------|
| Change in accrued interest payable | \$ 102,414 |         |
| Change in compensated absences     | 506,383    |         |
| Change in inventories              | 50,467     | 659,264 |
|                                    |            |         |

**Change in net assets of governmental activities (Exhibit 2) \$ 11,046,030**

STEARNS COUNTY  
ST. CLOUD, MINNESOTA

*EXHIBIT 7*

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2004

|                             | <u>Agency Fund</u>  |
|-----------------------------|---------------------|
| <b><u>Assets</u></b>        |                     |
| Cash and pooled investments | <u>\$ 4,634,405</u> |
| <b><u>Liabilities</u></b>   |                     |
| Accounts payable            | \$ 27,030           |
| Due to other governments    | <u>4,607,375</u>    |
| <b>Total Liabilities</b>    | <u>\$ 4,634,405</u> |

This page was left blank intentionally.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004

---

---

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discrete Component Unit

The Housing and Redevelopment Authority (HRA) of Stearns County is a component unit of Stearns County and is reported in a separate column in the County's government-wide financial statements to emphasize that the HRA is legally separate from Stearns County. The HRA operates as a local governmental unit for the purpose of providing housing and redevelopment services to Stearns County. The governing body consists of a five-member Board of Commissioners appointed by the Stearns County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended June 30, 2004.

The complete financial statements of the HRA of Stearns County can be obtained by writing to the Housing and Redevelopment Authority of Stearns County, 312 North First Street, Suite 2, Cold Spring, Minnesota 56320.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in a joint venture which is described in Note 3.C. The County also participates in jointly governed organizations which are described in Note 3.E.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported in a single column.

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

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

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

Additionally, the County reports the following fund type:

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

**STEARNS COUNTY  
ST. CLOUD, 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. Stearns County considers all revenues to be available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, 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 2004 were \$804,420.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

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

2. Receivables and Payables

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories

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

4. Capital Assets

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

Donated capital assets are recorded at estimated fair market value at the date of donation.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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

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

5. Compensated Absences

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

6. Deferred Revenue

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations

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

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

8. Fund Equity

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

9. Use of Estimates

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

---

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Auditor/Treasurer. At December 31, 2004, the carrying amount of Stearns County deposits totaled \$8,156,442. The bank balance deposit amount was \$8,185,963. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

|  | <u>Bank Balance</u>        |
|--|----------------------------|
| Covered deposits   |                            |
| Insured, or collateralized with securities held by the County or its agent in the County's name                            | \$ 2,184,275               |
| Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name | <u>6,001,491</u>           |
| Total covered deposits   | \$ 8,185,766               |
| Uncollateralized   | <u>197</u>                 |
| Total  | <u><u>\$ 8,185,963</u></u> |

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Following is a summary of the fair values of Stearns County's investments, categorized into the aforementioned levels of risk, at December 31, 2004:

|   | Category             |             |                   | Fair Value           |
|---|----------------------|-------------|-------------------|----------------------|
|   | 1                    | 2           | 3                 |                      |
| U.S. government securities  | \$ 10,150,518        | \$ -        | \$ 906,857        | \$ 11,057,375        |
| Commercial paper  | 7,908,001            | -           | -                 | 7,908,001            |
| Negotiable certificates of deposit  | 1,654,129            | -           | -                 | 1,654,129            |
| <b>Total Investments</b>  | <b>\$ 19,712,648</b> | <b>\$ -</b> | <b>\$ 906,857</b> | <b>\$ 20,619,505</b> |
| Add   |                      |             |                   |                      |
| Cash on hand  |                      |             |                   | 56,063               |
| Cash in bank  |                      |             |                   | 5,975,442            |
| Certificate of deposit  |                      |             |                   | 2,181,000            |
| Minnesota Association of Governments<br>Investing for Counties (MAGIC) Fund |                      |             |                   | 2,847,417            |
| <b>Total Cash and Investments</b>   |                      |             |                   | <b>\$ 31,679,427</b> |

The County's total cash and investments are reported as follows:

|                                   |                      |  |
|-----------------------------------|----------------------|--|
| Governmental activities           |                      |  |
| Cash and pooled investments       | \$ 26,082,102        |  |
| Petty cash and change funds       | 6,580                |  |
| Departmental cash                 | 49,483               |  |
| Cash with fiscal agent            | 906,857              |  |
| Agency funds                      |                      |  |
| Cash and pooled investments       | 4,634,405            |  |
| <b>Total Cash and Investments</b> | <b>\$ 31,679,427</b> |  |

2. Receivables

Property Taxes and Special Assessments

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

2. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Leases Receivable

Stearns County and the City of St. Cloud have jointly constructed a Law Enforcement Center. To finance this building, the City of St. Cloud authorized the sale of \$15,833,684 Jail Bonds in 1985. These bonds were subsequently refunded on October 1, 1986, with \$17,625,000 Law Enforcement Center Revenue Refunding Bonds (Stearns County Unlimited Tax Lease Obligation). On December 1, 1992, the 1986 refunding issue was refunded with \$11,715,000 City of St. Cloud Law Enforcement Center Revenue Refunding Bonds (Stearns County Unlimited Tax Lease Obligation). On November 1, 2000, the 1992 refunding issue was refunded with \$5,470,000 City of St. Cloud Law Enforcement Center Revenue Refunding Bonds (Stearns County Unlimited Tax Lease Obligation). Stearns County has pledged its taxing power toward repayment of the bonds.

The City of St. Cloud has entered into a lease agreement with Stearns County, which provides that the City is liable for 14.17 percent of the bond principal and interest costs in return for the right to use a proportionate share of its building.

Stearns County is carrying the building and the bond liability on its records. The County also carries a receivable of \$170,748 at December 31, 2004, in its Debt Service Fund. The City has recorded its liability for the lease with the County.

The final payment from the Law Enforcement Center lease, including interest of \$4,055, will be \$174,803 due in 2005.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Loans Receivable

The following economic development loans made to private enterprises under the County's economic development loan program were outstanding at December 31, 2004:

|   | Original<br>Loan<br>Amount | Balance<br>Repaid at<br>December 31,<br>2004 | Outstanding<br>Balance at<br>December 31,<br>2004 | Term<br>(Years) | Interest<br>Rate<br>(%) |
|---|----------------------------|--|---|-----------------|-------------------------|
| Royal Tire, Inc.  | \$ 125,000                 | \$ 58,351                                    | \$ 66,649   | 20              | 2                       |
| Polar Tank Trailer, Inc.  | 220,000                    | 220,000                                      | -   | 10              | 2                       |
| Gold 'N Plump Poultry, Inc.<br>Cabinet Components and<br>Distribution Company, Inc. | 200,000                    | 178,142                                      | 21,858  | 10              | 2                       |
| Bayer Built Woodworks, Inc.   | 55,000                     | 27,102                                       | 27,898  | 7               | 6                       |
| Stymie Industries, Inc.   | 99,500                     | 63,657                                       | 35,843  | 7               | 5                       |
| Pride of Main Street Dairy,<br>LLC  | 50,000                     | 17,071                                       | 32,929  | 10              | 5                       |
| Wenner Gas Company  | 20,000                     | 10,153                                       | 9,847   | 7               | 6                       |
|   | 50,000                     | 5,504  | 44,496  | 8               | 1                       |
| Total Loans Receivable  | <u>\$ 819,500</u>          | <u>\$ 579,980</u>                            | <u>\$ 239,520</u>                                 |                 |                         |

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

|   | Beginning<br>Balance  | Increase             | Decrease          | Ending<br>Balance     |
|---|-----------------------|----------------------|-------------------|-----------------------|
| Capital assets not depreciated          |                       |                      |                   |                       |
| Land                                    | \$ 8,046,410          | \$ 472,693           | \$ -              | \$ 8,519,103          |
| Construction in progress                | 367,674               | 1,125,877            | 881,117           | 612,434               |
| Total capital assets not<br>depreciated | <u>\$ 8,414,084</u>   | <u>\$ 1,598,570</u>  | <u>\$ 881,117</u> | <u>\$ 9,131,537</u>   |
| Capital assets depreciated              |                       |                      |                   |                       |
| Buildings                               | \$ 43,681,433         | \$ 423,473           | \$ -              | \$ 44,104,906         |
| Machinery and automotive                | 7,212,236             | 1,002,658            | 481,613           | 7,733,281             |
| Office furniture and equipment          | 4,651,924             | 384,363              | 50,476            | 4,985,811             |
| Infrastructure                          | 145,528,169           | 8,616,196            | -                 | 154,144,365           |
| Total capital assets depreciated        | <u>\$ 201,073,762</u> | <u>\$ 10,426,690</u> | <u>\$ 532,089</u> | <u>\$ 210,968,363</u> |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

|  | <u>Beginning<br/>Balance</u> | <u>Increase</u>         | <u>Decrease</u>       | <u>Ending<br/>Balance</u> |
|--|------------------------------|-------------------------|-----------------------|---------------------------|
| Less: accumulated depreciation<br>for              |                              |                         |                       |                           |
| Buildings  | \$ 7,598,512                 | \$ 919,980              | \$ -                  | \$ 8,518,492              |
| Machinery and automotive                           | 3,960,486                    | 702,883                 | 481,613               | 4,181,756                 |
| Office furniture and equipment                     | 3,443,834                    | 356,438                 | 50,476                | 3,749,796                 |
| Infrastructure                                     | <u>24,770,626</u>            | <u>2,770,513</u>        | <u>-</u>              | <u>27,541,139</u>         |
| <br>Total accumulated<br>depreciation              | <br><u>\$ 39,773,458</u>     | <br><u>\$ 4,749,814</u> | <br><u>\$ 532,089</u> | <br><u>\$ 43,991,183</u>  |
| <br>Total capital assets<br>depreciated, net       | <br><u>\$ 161,300,304</u>    | <br><u>\$ 5,676,876</u> | <br><u>\$ -</u>       | <br><u>\$ 166,977,180</u> |
| <br>Governmental Activities<br>Capital Assets, Net | <br><u>\$ 169,714,388</u>    | <br><u>\$ 7,275,446</u> | <br><u>\$ 881,117</u> | <br><u>\$ 176,108,717</u> |

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

|   |                         |
|---|-------------------------|
| Governmental Activities   |                         |
| General government  | \$ 781,815              |
| Public safety   | 553,241                 |
| Highways and streets, including depreciation of infrastructure assets | 3,300,056               |
| Human services  | 59,600                  |
| Culture and recreation  | 53,248                  |
| Conservation of natural resources                                     | <u>1,854</u>            |
| <br>Total Depreciation Expense - Governmental Activities              | <br><u>\$ 4,749,814</u> |

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2004, was as follows:

1. Due To/From Other Funds

The Human Services Special Revenue Fund owed the General Fund \$1,308 at December 31, 2004, for health costs incurred by inmates at the jail.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

2. Detailed Notes on All Funds

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

2. Advance From/To Other Funds

| Receivable Fund                   | Payable Fund                                    | Amount                      |
|-----------------------------------|---|-----------------------------|
| General                           | Ditch Special Revenue Fund<br>Debt Service Fund | \$ 17,000<br><u>104,074</u> |
| Total Advance From/To Other Funds |   | <u>\$ 121,074</u>           |

The General Fund advanced County Ditch 37 funds to make needed repairs. The advance is being paid off with special assessments on the benefited properties.

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

|  | Transfers In        | Description                         |
|--|---------------------|-------------------------------------|
| Transfers to General Fund from         |                     |                                     |
| Road and Bridge Fund                   | \$ 128,575          | Insurance premium allocation        |
| Human Services Fund                    | 170,992             | Insurance premium allocation        |
| Human Services Fund                    | 140,680             | Jail health costs                   |
| Capital Projects Fund                  | 2,152,932           | Purchase of capital equipment       |
| Nonmajor governmental funds            | <u>1,782</u>        | Information services budget changes |
| Total General Fund                     | <u>\$ 2,594,961</u> |                                     |
| Transfers to Road and Bridge Fund from |                     |                                     |
| General Fund                           | \$ 7,468            | Information services budget changes |
| Capital Projects Fund                  | <u>1,241,645</u>    | Road project funding                |
| Total Road and Bridge Fund             | <u>\$ 1,249,113</u> |                                     |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

2. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

3. Interfund Transfers (Continued)

|  | Transfers In | Description                         |
|--|--------------|-------------------------------------|
| Transfers to Human Services Fund<br>from         |              |                                     |
| General Fund                                     | \$ 205,350   | Purchase of computers               |
| General Fund                                     | 135,098      | Information services budget changes |
| Total Human Services Fund                        | \$ 340,448   |                                     |
| Transfers to Nonmajor Governmental<br>Funds from |              |                                     |
| General Fund                                     | \$ 405       | Insurance premium allocation        |
| General Fund                                     | 25,716       | Transfer wellness activity          |
| Total Nonmajor Governmental<br>Funds             | \$ 26,121    |                                     |
| Total Interfund Transfers                        | \$ 4,210,643 |                                     |

C. Liabilities

1. Payables

Payables at December 31, 2004, were as follows:

|                          | Governmental<br>Activities |
|--------------------------|----------------------------|
| Accounts                 | \$ 2,845,871               |
| Salaries                 | 2,219,545                  |
| Contracts                | 834,950                    |
| Due to other governments | 1,110,902                  |
| Accrued interest         | 199,188                    |
| Total Payables           | \$ 7,210,456               |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable, state grants that are not collected soon enough after year-end to pay liabilities of the current period, state and federal grants received but not yet earned, and long-term loans and leases receivable. Deferred revenue at December 31, 2004, is summarized below by fund:

|                          | Taxes and<br>Special<br>Assessments | Grants              | Loans and<br>Leases | Other             | Total               |
|--------------------------|-------------------------------------|---------------------|---------------------|-------------------|---------------------|
| Major governmental funds |                                     |                     |                     |                   |                     |
| General                  | \$ 217,729                          | \$ 490,161          | \$ -                | \$ 234,392        | \$ 942,282          |
| Road and Bridge          | 45,419                              | 1,789,994           | -                   | -                 | 1,835,413           |
| Human Services           | 189,266                             | 5,535               | -                   | -                 | 194,801             |
| Debt Service             | 82,024                              | -                   | 170,748             | -                 | 252,772             |
| Other governmental funds |                                     |                     |                     |                   |                     |
| County Building          | 1,425                               | -                   | -                   | -                 | 1,425               |
| County Park              | 7,329                               | -                   | -                   | -                 | 7,329               |
| Solid Waste              | 32,753                              | -                   | -                   | -                 | 32,753              |
| Economic Development     | -                                   | -                   | 239,520             | -                 | 239,520             |
| Ditch                    | 120,147                             | -                   | -                   | -                 | 120,147             |
| Total                    | <u>\$ 696,092</u>                   | <u>\$ 2,285,690</u> | <u>\$ 410,268</u>   | <u>\$ 234,392</u> | <u>\$ 3,626,442</u> |
| Deferred revenue         |                                     |                     |                     |                   |                     |
| Unavailable              | \$ 696,092                          | \$ 373,548          | \$ -                | \$ -              | \$ 1,069,640        |
| Unearned                 | -                                   | 1,912,142           | 410,268             | 234,392           | 2,556,802           |
| Total                    | <u>\$ 696,092</u>                   | <u>\$ 2,285,690</u> | <u>\$ 410,268</u>   | <u>\$ 234,392</u> | <u>\$ 3,626,442</u> |

3. Vacation and Sick Leave

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

The County pays unused accumulated paid time off to employees upon termination based on two different severance plans. Unvested paid time off valued at \$2,445,268 at December 31, 2004, is available to employees in the event of an absence but is not paid to them at termination.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt - Bonds and Notes

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

| Type of Indebtedness                      | Final Maturity | Installment Amounts       | Interest Rates (%) | Original Issue Amount | Outstanding Balance December 31, 2004 |
|---|----------------|---------------------------|--------------------|-----------------------|---------------------------------------|
| General Obligation Bonds                  |                |                           |                    |                       |                                       |
| 1991 G.O. Drainage Ditch Bonds            | 2006           | \$20,000 - \$25,000       | 5.20 - 6.80        | \$ 330,000            | \$ 40,000                             |
| 1992A G.O. Drainage Ditch Refunding Bonds | 2005           | \$15,000 - \$20,000       | 4.50 - 6.00        | 220,000               | 15,000                                |
| 1993B G.O. Drainage Ditch Refunding Bonds | 2008           | \$20,000 - \$55,000       | 2.90 - 5.50        | 510,000               | 110,000                               |
| 1999 G.O. Capital Improvement Bonds       | 2013           | \$105,000 - \$240,000     | 4.00 - 4.375       | 2,670,000             | 1,810,000                             |
| 2002A G.O. Capital Improvement Bonds      | 2012           | \$385,000 - \$545,000     | 2.75 - 7.20        | 4,560,000             | 3,780,000                             |
| 2002B G.O. Refunding Bonds                | 2009           | \$460,000 - \$610,000     | 3.00 - 4.00        | 3,810,000             | 2,835,000                             |
| 2003 G.O. Capital Notes                   | 2006           | \$1,540,000 - \$1,630,000 | 2.00 - 2.00        | 4,775,000             | 3,235,000                             |
| 1998A HRA Lease Revenue Refunding Bonds   | 2011           | \$650,000- \$925,000      | 4.25 - 4.80        | 8,675,000             | 5,625,000                             |
| 2000 LEC Revenue Refunding Bonds          | 2005           | \$1,315,000- \$1,505,000  | 4.35-4.75          | <u>5,470,000</u>      | <u>1,205,000</u>                      |
| Total General Obligation Bonds and Notes  |                |                           |                    | <u>\$ 31,020,000</u>  | <u>\$ 18,655,000</u>                  |
| Add: unamortized premium                  |                |                           |                    |                       | <u>27,138</u>                         |
| Total General Obligation Bonds, Net       |                |                           |                    |                       | <u>\$ 18,682,138</u>                  |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Economic Development Loans

The County has entered into loan agreements with the Minnesota Department of Employment and Economic Development. The loans are interest free, payable from the Economic Development Fund. Loans payable at December 31, 2004, were as follows:

| Type of Indebtedness | Final Maturity | Installment Amounts | Interest Rates (%) | Original Issue Amount | Outstanding Balance December 31, 2004 |
|----------------------|----------------|---------------------|--------------------|-----------------------|---------------------------------------|
| 1993 Royal Tire      | 2014           | \$632/month         | 0.00               | \$ 125,000            | \$ 25,000                             |
| 1996 Gold'N Plump    | 2006           | \$1,840/month       | 0.00               | 200,000               | 23,622                                |
| Total Loans Payable  |                |                     |                    |                       | <u>\$ 48,622</u>                      |

6. Debt Service Requirements

Debt service requirements at December 31, 2004, were as follows:

| Year Ending December 31 | General Obligation Bonds and Notes |                     | Loans            |             |
|-------------------------|------------------------------------|---------------------|------------------|-------------|
|                         | Principal                          | Interest            | Principal        | Interest    |
| 2005                    | \$ 4,680,000                       | \$ 683,625          | \$ 21,810        | \$ -        |
| 2006                    | 3,555,000                          | 546,079             | 1,812            | -           |
| 2007                    | 1,980,000                          | 433,881             | -                | -           |
| 2008                    | 2,050,000                          | 348,928             | -                | -           |
| 2009                    | 2,130,000                          | 258,713             | -                | -           |
| 2010 - 2014             | 4,260,000                          | 291,404             | 25,000           | -           |
| Total                   | <u>\$ 18,655,000</u>               | <u>\$ 2,562,630</u> | <u>\$ 48,622</u> | <u>\$ -</u> |

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

|  | Beginning Balance    | Additions           | Reductions          | Ending Balance       | Due Within One Year |
|--|----------------------|---------------------|---------------------|----------------------|---------------------|
| General obligation bonds and notes payable | \$ 23,505,000        | \$ -                | \$ 4,850,000        | \$ 18,655,000        | \$ 4,680,000        |
| Loans payable                              | 92,025               | -                   | 43,403              | 48,622               | 21,810              |
| Compensated absences                       | 5,508,854            | 3,461,815           | 3,968,198           | 5,002,471            | 260,826             |
| Total Long-Term Liabilities                | <u>\$ 29,105,879</u> | <u>\$ 3,461,815</u> | <u>\$ 8,861,601</u> | <u>\$ 23,706,093</u> | <u>\$ 4,962,636</u> |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

D. Reserved and Designated Fund Balances

Fund balances are reserved to show amounts segregated from available spendable resources. Fund balances designated show amounts that reflect tentative managerial plans or intent.

|                               | General           | Road and<br>Bridge | Debt<br>Service     | Other<br>Governmental<br>Funds | Total               |
|-------------------------------|-------------------|--------------------|---------------------|--------------------------------|---------------------|
| Reserved for                  |                   |                    |                     |                                |                     |
| Attorney's forfeited property | \$ 20,102         | \$ -               | \$ -                | \$ -                           | \$ 20,102           |
| DARE                          | 52,202            | -                  | -                   | -                              | 52,202              |
| Sheriff's contingency         | 5,000             | -                  | -                   | -                              | 5,000               |
| Inventories                   | 17,011            | 449,100            | -                   | -                              | 466,111             |
| Advance to other funds        | 121,074           | -                  | -                   | -                              | 121,074             |
| Recorder's equipment          | 74,347            | -                  | -                   | -                              | 74,347              |
| Sheriff's forfeited property  | 16,404            | -                  | -                   | -                              | 16,404              |
| DWI vehicle forfeiture        | 20,987            | -                  | -                   | -                              | 20,987              |
| Economic development          | -                 | -                  | -                   | 777,309                        | 777,309             |
| Gravel pits                   | -                 | -                  | -                   | 182,187                        | 182,187             |
| Landfill                      | -                 | -                  | -                   | 57,339                         | 57,339              |
| Debt service                  | -                 | -                  | 2,802,720           | -                              | 2,802,720           |
| Cash with fiscal agent        | -                 | -                  | 906,857             | -                              | 906,857             |
| <b>Total Reserved</b>         | <b>\$ 327,127</b> | <b>\$ 449,100</b>  | <b>\$ 3,709,577</b> | <b>\$ 1,016,835</b>            | <b>\$ 5,502,639</b> |

|                                | General             | Human<br>Services   | Capital<br>Projects | Other<br>Governmental<br>Funds | Total                |
|--------------------------------|---------------------|---------------------|---------------------|--------------------------------|----------------------|
| Designated for                 |                     |                     |                     |                                |                      |
| Working capital cash flow      | \$ 6,851,008        | \$ -                | \$ -                | \$ -                           | \$ 6,851,008         |
| Subsequent years' expenditures | 416,119             | 8,118,618           | 4,197,774           | -                              | 12,732,511           |
| Wellness activities            | -                   | -                   | -                   | 25,716                         | 25,716               |
| Self-insurance                 | 669,500             | -                   | -                   | -                              | 669,500              |
| Sheriff's conceal and carry    | 35,041              | -                   | -                   | -                              | 35,041               |
| K9 unit                        | -                   | -                   | -                   | 11,812                         | 11,812               |
| <b>Total Designated</b>        | <b>\$ 7,971,668</b> | <b>\$ 8,118,618</b> | <b>\$ 4,197,774</b> | <b>\$ 37,528</b>               | <b>\$ 20,325,588</b> |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

3. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2004 and \$760,000 per claim in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

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

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

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

3. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

anticipated costs for that month as established by the plan in the current plan year. All costs incurred by the County for a plan year in regard to the Blue Cross/Blue Shield plan are then paid from funds collected by Resource Training & Solutions during the plan year. The fee the County pays Resource Training & Solutions includes coverage for any shortfalls in funding versus actual costs for a plan year. Any funds that may remain in the account from a plan year after all costs for that plan year are paid are returned to the County. At December 31, 2004, the General Fund has designated \$669,500 for the purpose of funding the County's future medical claims. Changes in the balances of claims liabilities for the past two years are:

|                             | 2004        | 2003        |
|-----------------------------|-------------|-------------|
| Unpaid claims - January 1   | \$ 604,377  | \$ 593,210  |
| Current year claims         | 3,685,995   | 3,922,899   |
| Claim payments              | (3,677,462) | (3,911,732) |
| Unpaid claims - December 31 | \$ 612,910  | \$ 604,377  |

B. Contingent Liabilities

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

C. Joint Ventures

The Stearns-Benton Employment and Training Council was created for the purpose of undertaking, implementing, and maintaining the programs established under the Job Training Partnership Act of 1982 and other federal and state laws and regulations governing the establishment and implementation of programs within areas governed by Stearns and Benton Counties. The Council is an organized joint venture having the duties, powers, and privileges granted joint powers by Minn. Stat. § 471.59. The Council is governed by a Joint Powers Board and a Workforce Development Council. The Joint Powers Board is composed of two commissioners each from Stearns and Benton Counties and one Workforce Development Council member. As of June 30, 2004, the Workforce Development Council was composed of 27 members from local

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

3. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

business, industry, agriculture, labor organizations, public or private education, and community service groups. Included in the Joint Powers Board's duties and powers is the authority to approve the Council's budget and enter into any necessary contracts or leases.

Stearns County did not contribute anything for its share of the Council's operating costs in 2004.

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

D. Related Organization

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

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

E. Jointly-Governed Organization

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

3. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organization (Continued)

of their county commissioners sit on the Board. The Board of Directors is currently composed of eight members: four County Commissioners from Stearns County and two each from Benton and Sherburne Counties.

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

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

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

4. Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

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

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

For all PERA members whose annuity is calculated using method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary. 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:

|                                       |        |
|---------------------------------------|--------|
| Public Employees Retirement Fund      |        |
| Basic Plan members                    | 11.78% |
| Coordinated Plan members              | 5.53   |
| Public Employees Police and Fire Fund | 9.30   |
| Public Employees Correctional Fund    | 8.75   |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

4. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2004, 2003, and 2002, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

|      | Public<br>Employees<br>Retirement<br>Fund | Public<br>Employees<br>Police and<br>Fire Fund | Public<br>Employees<br>Correctional<br>Fund |
|------|---|--|---|
| 2004 | \$ 1,562,575                              | \$ 252,590                                     | \$ 262,699                                  |
| 2003 | 1,519,162                                 | 240,492  | 239,058                                     |
| 2002 | 1,462,748                                 | 235,518  | 211,088                                     |

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

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D.

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

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contribution for the years ending December 31, 2004, 2003, and 2002, were \$9,027, \$8,806, and \$6,950, respectively, equal to the contractually required contributions for each year as set by state statute.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

5. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies

Reporting Entity

The Housing and Redevelopment Authority (HRA) of Stearns County is a component unit of Stearns County and is reported in a separate column in the County's financial statements to emphasize that the HRA is a legally separate entity from Stearns County. The HRA operates as a public agency created by Stearns County under the Minnesota Housing and Redevelopment Authority Act of 1947. The primary purpose is to provide housing and redevelopment services to the County. The governing body consists of a five-member board of commissioners appointed by the Stearns County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended June 30, 2004.

Deposits and Investments

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

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

Minnesota statutes authorize the HRA to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are obligations guaranteed by the United States or its agencies. Investments are stated at fair value.

The investment in the broker money market is an external investment pool. The reported value of the pool is equal to the value of the pool shares.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

5. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies (Continued)

Property Taxes

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

Prepaid Items

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

Capital Assets

Capital assets are defined by the HRA as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets used in operations are depreciated using the straight-line method over the following estimated useful lives:

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

Compensated Absences

It is the HRA's policy to permit certain employees to accumulate paid time off (PTO). After an employee has successfully completed probation, an employee who leaves the employment of the HRA in good standing shall be compensated for previously credited unused PTO at the current rate of pay up to a limited amount, based on years of service. A liability of \$24,440 represents accrued PTO time unused at year-end and is recognized as expense in the year it is earned.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

5. Housing and Redevelopment Authority of Stearns County

A. Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

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

B. Stewardship, Compliance, and Accountability

Budgetary Information

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

C. Detailed Notes on All Funds

Deposits and Investments

Minnesota statutes require that all HRA deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (140 percent in the case of mortgage notes pledged). At year-end, the HRA's carrying amount of deposits was \$1,568,197 and the bank balance was \$1,615,672. Of the bank balance, \$485,000 was covered by federal depository insurance and \$1,130,672 was covered by pledged collateral held in the HRA's name.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

---

5. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Deposits and Investments (Continued)

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the HRA or its agent in the HRA's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the HRA's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the HRA's name.

At year-end, the HRA's investment balance, which is not subject to the credit risk classification described above, is as follows:

|   | <u>Fair Value And<br/>Carrying Amount</u> |
|---|---|
| Investments not subjected to categorization |   |
| Broker money market fund                    | \$ 83,750                                 |

The investment in the broker money market is an external investment pool. The reported value of the pool is equal to the value of pool shares.

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

|                                      |                     |
|--------------------------------------|---------------------|
| Deposits                             | \$ 1,568,197        |
| Investments                          | <u>83,750</u>       |
| Total Cash and Temporary Investments | <u>\$ 1,651,947</u> |

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

---

5. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds (Continued)

Loans Receivable

The following is a summary of the loans receivable at June 30, 2004:

|                               |                     |
|-------------------------------|---------------------|
| Down payment assistance loans | \$ 50,183           |
| Revolving loan                | 11,995              |
| DTED Melrose                  | 445,149             |
| DTED Holdingford              | 259,504             |
| DTED Kimball                  | <u>263,247</u>      |
| Total Loans Receivable        | <u>\$ 1,030,078</u> |

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

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

Due From Other Governments

Due from other governments consists of the following:

|  |                   |
|--|-------------------|
| General Fund                                     |                   |
| State of Minnesota                               | \$ 14,349         |
| DTED Melrose                                     |                   |
| State of Minnesota                               | 52,599            |
| Non-major funds                                  |                   |
| State of Minnesota                               | 64,861            |
| U.S. Department of Housing and Urban Development | <u>19,858</u>     |
| Total Due From Other Governments                 | <u>\$ 151,667</u> |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

5. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

|   | Beginning<br>Balance | Increases          | Decreases   | Ending<br>Balance   |
|---|----------------------|--------------------|-------------|---------------------|
| <b>Governmental Activities</b>                                |                      |                    |             |                     |
| Capital assets not depreciated                                |                      |                    |             |                     |
| Land  | \$ -                 | \$ 24,379          | \$ -        | \$ 24,379           |
| Capital assets depreciated                                    |                      |                    |             |                     |
| Buildings   | \$ -                 | \$ 8,037           | \$ -        | \$ 8,037            |
| Machinery and equipment                                       | 67,647               | -                  | -           | 67,647              |
| Total capital assets depreciated                              | \$ 67,647            | \$ 8,037           | \$ -        | \$ 75,684           |
| Less: accumulated depreciation for<br>Machinery and equipment | (37,945)             | (8,275)            | -           | (46,220)            |
| Total capital assets depreciated, net                         | \$ 29,702            | \$ (238)           | \$ -        | \$ 29,464           |
| Governmental Activities Capital<br>Assets, Net                | <u>\$ 29,702</u>     | <u>\$ 24,141</u>   | <u>\$ -</u> | <u>\$ 53,843</u>    |
| <b>Business-Type Activities</b>                               |                      |                    |             |                     |
| Capital assets not depreciated                                |                      |                    |             |                     |
| Land  | \$ 304,515           | \$ -               | \$ -        | \$ 304,515          |
| Capital assets depreciated                                    |                      |                    |             |                     |
| Land improvements   | 127,155              | -                  | -           | 127,155             |
| Buildings   | 2,907,852            | -                  | -           | 2,907,852           |
| Building improvements   | 133,246              | -                  | -           | 133,246             |
| Machinery and equipment                                       | 44,462               | -                  | -           | 44,462              |
| Total capital assets depreciated                              | \$ 3,212,715         | \$ -               | \$ -        | \$ 3,212,715        |
| Less: accumulated depreciation for                            |                      |                    |             |                     |
| Land improvements   | \$ (29,631)          | \$ (4,407)         | \$ -        | \$ (34,038)         |
| Buildings   | (357,956)            | (72,696)           | -           | (430,652)           |
| Building improvements   | (18,711)             | (5,874)            | -           | (24,585)            |
| Machinery and equipment                                       | (29,607)             | (2,729)            | -           | (32,336)            |
| Total accumulated depreciation                                | \$ (435,905)         | \$ (85,706)        | \$ -        | \$ (521,611)        |
| Total capital assets depreciated, net                         | \$ 2,776,810         | \$ (85,706)        | \$ -        | \$ 2,691,104        |
| Business-Type Activities Capital<br>Assets, Net               | <u>\$ 3,081,325</u>  | <u>\$ (85,706)</u> | <u>\$ -</u> | <u>\$ 2,995,619</u> |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

5. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Capital Assets (Continued)

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

|   |    |        |
|---|----|--------|
| Governmental Activities                               |    |        |
| General government                                    | \$ | 2,751  |
| Housing and economic development                      |    | 5,524  |
| Total Depreciation Expense - Governmental Activities  | \$ | 8,275  |
|   |    |        |
| Business-Type Activities                              |    |        |
| Public housing  | \$ | 46,150 |
| Heading for home                                      |    | 39,556 |
| Total Depreciation Expense - Business-Type Activities | \$ | 85,706 |

Deferred Revenue/Unearned Revenue

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

| Fund                          | Unavailable  | Unearned | Total        |
|-------------------------------|--------------|----------|--------------|
| General                       |              |          |              |
| Taxes receivable              | \$ 109,113   | \$ -     | \$ 109,113   |
| Loans receivable              | 1,030,078    | -        | 1,030,078    |
| Market value homestead credit | 14,349       | -        | 14,349       |
| Enterprise                    |              |          |              |
| Prepaid rents                 | -            | 1,579    | 1,579        |
| Total                         | \$ 1,153,540 | \$ 1,579 | \$ 1,155,119 |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

5. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds (Continued)

Long-Term Debt

Housing Development Bonds

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

|  | <u>Authorized<br/>and Issued</u> | <u>Interest<br/>Rate</u> | <u>Issue<br/>Date</u> | <u>Maturity<br/>Date</u> | <u>Balance at<br/>Year-End</u> |
|--|----------------------------------|--------------------------|-----------------------|--------------------------|--------------------------------|
| Housing Development<br>Revenue Bonds<br>Series 2001A | \$ 1,070,000                     | 4.65 - 5.40%             | July 19, 2001         | February 1, 2031         | <u>\$ 1,035,000</u>            |

Loans

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

|           |            |       |                |             |                   |
|-----------|------------|-------|----------------|-------------|-------------------|
| MHFA Loan | \$ 200,000 | 0.00% | March 15, 2002 | May 1, 2032 | \$ 200,000        |
| MHFA Loan | 355,500    | 0.00% | March 15, 2002 | May 1, 2032 | <u>355,500</u>    |
| Total     |            |       |                |             | <u>\$ 555,500</u> |

Tax Increment Revenue Note

The following note was issued by a local bank to finance the Cold Spring Granite Projects and will be repaid from future tax increment revenue.

|  |            |       |                   |                  |                   |
|--|------------|-------|-------------------|------------------|-------------------|
| Tax Increment Revenue<br>Note, Series 1998 | \$ 730,000 | 5.25% | February 20, 1998 | February 1, 2006 | <u>\$ 275,862</u> |
|--|------------|-------|-------------------|------------------|-------------------|

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

5. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Long-Term Debt (Continued)

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

| Year Ending<br>June 30 | Governmental Activities        |           | Business-Type Activities |          |                                |            |
|------------------------|--------------------------------|-----------|--------------------------|----------|--------------------------------|------------|
|                        | Tax Increment<br>Revenue Bonds |           | MHFA Loans               |          | Housing<br>Redevelopment Loans |            |
|                        | Principal                      | Interest  | Principal                | Interest | Principal                      | Interest   |
| 2005                   | \$ 154,686                     | \$ 24,828 | \$ -                     | \$ -     | \$ 20,000                      | \$ 53,555  |
| 2006                   | 121,176                        | 10,906    | -                        | -        | 20,000                         | 52,625     |
| 2007                   | -                              | -         | -                        | -        | 20,000                         | 51,695     |
| 2008                   | -                              | -         | -                        | -        | 20,000                         | 50,765     |
| 2009                   | -                              | -         | -                        | -        | 25,000                         | 49,835     |
| 2010 - 2014            | -                              | -         | -                        | -        | 130,000                        | 231,587    |
| 2015 - 2019            | -                              | -         | -                        | -        | 165,000                        | 196,008    |
| 2020 - 2024            | -                              | -         | -                        | -        | 220,000                        | 147,985    |
| 2025 - 2029            | -                              | -         | -                        | -        | 280,000                        | 83,110     |
| 2030 - 2033            | -                              | -         | 555,500                  | -        | 135,000                        | 11,070     |
| Total                  | \$ 275,862                     | \$ 35,734 | \$ 555,500               | \$ -     | \$ 1,035,000                   | \$ 928,235 |

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

|   | Beginning<br>Balance | Additions | Reductions | Ending<br>Balance | Due Within<br>One Year |
|---|----------------------|-----------|------------|-------------------|------------------------|
| Governmental Activities                                   |                      |           |            |                   |                        |
| Tax Increment Revenue<br>Note, Series 1998                | \$ 345,476           | \$ -      | \$ 69,614  | \$ 275,862        | \$ 154,686             |
| Compensated absences                                      | 28,884               | -         | 4,444      | 24,440            | -                      |
| Governmental Activity<br>Long-Term Liabilities            | \$ 374,360           | \$ -      | \$ 74,058  | \$ 300,302        | \$ 154,686             |
| Business-Type Activities                                  |                      |           |            |                   |                        |
| Bonds payable   |                      |           |            |                   |                        |
| Housing Development<br>and Revenue Bonds,<br>Series 2001A | \$ 1,055,000         | \$ -      | \$ 20,000  | \$ 1,035,000      | \$ 20,000              |
| Loans   |                      |           |            |                   |                        |
| MHFA  | 555,500              | -         | -          | 555,500           | -                      |
| Business-Type Activity<br>Long-Term Liabilities           | \$ 1,610,500         | \$ -      | \$ 20,000  | \$ 1,590,500      | \$ 20,000              |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

5. Housing and Redevelopment Authority of Stearns County

C. Detailed Notes on All Funds

Long-Term Debt (Continued)

Pay-As-You-Go Tax Increment Notes

The HRA issues Limited Revenue Pay-As-You-Go Revenue Notes to finance various tax increment projects; these projects are financed through loans from participating banks. The notes through these participating banks are not general obligations of the HRA as they are payable only to the extent of future tax increments received. As such, these obligations do not appear on the HRA's financial statements. The outstanding balances of these loans at June 30, 2004, are summarized below by project.

|                 |            |
|-----------------|------------|
| Rheumes Project | \$ 255,333 |
|-----------------|------------|

Operating Lease Agreements

The HRA entered into two operating lease agreements for office space. These leases are currently combined into one lease. The monthly rent payment for both leases was \$1,790 for the period ended September 15, 2003, and \$1,844 for the period ended March 15, 2004, which was renewed for the same amount until September 15, 2004. An extension was made for the following six months and the future minimum rent payment under the renewed contract is \$1,886 per month. Total rent expense for 2004 was \$21,914.

D. Defined Contribution Pension Plans

On October 1, 1998, the HRA adopted a defined contribution plan for all employees working at least 20 hours per week for at least five months out of the year. The employer contributes 5.53 percent annually of the employee's base rate of pay to the plan. Participating employees shall vest in employer contributions at the rate of 50 percent for each full year of continuous employment. For the years ended June 30, 2004 and 2003, employer contributions total \$15,022 and \$13,446, respectively.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

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

E. Other Information

Risk Management

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

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

Joint Powers Agreement

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

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

5. Housing and Redevelopment Authority of Stearns County

E. Other Information (Continued)

Conduit Debt Obligations

The HRA has issued Law Enforcement Revenue Refunding Bonds and Stearns County Administrative Center Refunding Bonds to provide financial assistance to the County for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues derived by the County and shall not constitute debt for which the full faith and credit or taxing powers of the HRA will be pledged. Upon repayment of the bonds, ownership of the acquired facilities transfers to the County. Neither the HRA nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

F. Capital Grant Program

The HRA receives Capital Grant funds from HUD. The following schedule reconciles the grants with the current activity:

|                          | Grant Year       |                  |             |
|--------------------------|------------------|------------------|-------------|
|                          | 2002             | 2003             | 2004        |
| Funds approved           | \$ 41,779        | \$ 39,287        | \$ -        |
| Funds expended           | 41,493           | -                | -           |
| Excess of Funds Approved | <u>\$ 286</u>    | <u>\$ 39,287</u> | <u>\$ -</u> |
| Funds Advanced           | <u>\$ 41,493</u> | <u>\$ -</u>      | <u>\$ -</u> |
| 2004 Revenue             | <u>\$ 25,517</u> | <u>\$ -</u>      | <u>\$ -</u> |

**REQUIRED SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|                                     | Budgeted Amounts     |                      | Actual<br>Amounts    | Variance with<br>Final Budget |
|-------------------------------------|----------------------|----------------------|----------------------|-------------------------------|
|                                     | Original             | Final                |                      |                               |
| <b>Revenues</b>                     |                      |                      |                      |                               |
| Taxes                               | \$ 15,629,487        | \$ 15,629,487        | \$ 15,846,931        | \$ 217,444                    |
| Licenses and permits                | 558,387              | 558,387              | 514,559              | (43,828)                      |
| Intergovernmental                   | 6,936,803            | 7,036,240            | 9,981,728            | 2,945,488                     |
| Charges for services                | 3,427,821            | 3,428,421            | 3,486,297            | 57,876                        |
| Fines and forfeits                  | 33,600               | 33,600               | 62,173               | 28,573                        |
| Investment income                   | 750,000              | 750,000              | 804,420              | 54,420                        |
| Miscellaneous                       | 984,000              | 989,357              | 2,010,970            | 1,021,613                     |
| <b>Total Revenues</b>               | <b>\$ 28,320,098</b> | <b>\$ 28,425,492</b> | <b>\$ 32,707,078</b> | <b>\$ 4,281,586</b>           |
| <b>Expenditures</b>                 |                      |                      |                      |                               |
| <b>Current</b>                      |                      |                      |                      |                               |
| <b>General government</b>           |                      |                      |                      |                               |
| Commissioners                       | \$ 262,674           | \$ 783,281           | \$ 550,566           | \$ 232,715                    |
| Courts                              | 85,000               | 85,000               | 89,427               | (4,427)                       |
| County administration               | 564,567              | 582,461              | 520,184              | 62,277                        |
| Auditor/Treasurer                   | 3,570,000            | 3,575,459            | 3,373,423            | 202,036                       |
| Assessor                            | 1,091,031            | 1,105,910            | 1,086,358            | 19,552                        |
| Purchasing                          | 294,299              | 206,184              | 211,731              | (5,547)                       |
| Information services                | 482,833              | 122,818              | 56,580               | 66,238                        |
| Human resources                     | 569,347              | 573,309              | 542,544              | 30,765                        |
| Attorney                            | 3,011,150            | 3,082,143            | 3,146,852            | (64,709)                      |
| Recorder                            | 668,896              | 707,368              | 673,506              | 33,862                        |
| Maintenance                         | 1,385,611            | 1,390,874            | 1,709,937            | (319,063)                     |
| Veterans service officer            | 141,294              | 135,430              | 151,177              | (15,747)                      |
| <b>Total general government</b>     | <b>\$ 12,126,702</b> | <b>\$ 12,350,237</b> | <b>\$ 12,112,285</b> | <b>\$ 237,952</b>             |
| <b>Public safety</b>                |                      |                      |                      |                               |
| Sheriff                             | \$ 6,646,962         | \$ 6,047,613         | \$ 6,580,654         | \$ (533,041)                  |
| Boat and water safety               | 28,746               | 28,746               | 38,563               | (9,817)                       |
| Emergency services                  | 120,000              | 119,980              | 159,556              | (39,576)                      |
| Coroner                             | 100,755              | 100,755              | 189,321              | (88,566)                      |
| County jail                         | 7,391,948            | 7,450,617            | 6,798,146            | 652,471                       |
| Civil defense                       | 171,015              | 165,602              | 263,300              | (97,698)                      |
| <b>Total public safety</b>          | <b>\$ 14,459,426</b> | <b>\$ 13,913,313</b> | <b>\$ 14,029,540</b> | <b>\$ (116,227)</b>           |
| <b>Culture and recreation</b>       |                      |                      |                      |                               |
| Historical society                  | \$ 494,000           | \$ 494,000           | \$ 494,000           | \$ -                          |
| County library                      | 1,618,028            | 1,618,028            | 1,618,028            | -                             |
| Other                               | 500                  | 500                  | 500                  | -                             |
| <b>Total culture and recreation</b> | <b>\$ 2,112,528</b>  | <b>\$ 2,112,528</b>  | <b>\$ 2,112,528</b>  | <b>\$ -</b>                   |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | Budgeted Amounts      |                       | Actual<br>Amounts     | Variance with<br>Final Budget |
|---|-----------------------|-----------------------|-----------------------|-------------------------------|
|   | Original              | Final                 |                       |                               |
| <b>Expenditures</b>                                 |                       |                       |                       |                               |
| <b>Current (Continued)</b>                          |                       |                       |                       |                               |
| <b>Conservation of natural resources</b>            |                       |                       |                       |                               |
| Cooperative extension                               | \$ 340,140            | \$ 310,114            | \$ 234,432            | \$ 75,682                     |
| Soil and water conservation                         | 558,000               | 558,000               | 558,000               | -                             |
| Agricultural society                                | 40,000                | 40,000                | 40,000                | -                             |
| Environmental services                              | 2,316,915             | 2,347,654             | 2,281,086             | 66,568                        |
| <b>Total conservation of natural resources</b>      | <b>\$ 3,255,055</b>   | <b>\$ 3,255,768</b>   | <b>\$ 3,113,518</b>   | <b>\$ 142,250</b>             |
| <b>Economic development</b>                         |                       |                       |                       |                               |
| Community development                               | \$ 18,500             | \$ 18,500             | \$ 18,500             | \$ -                          |
| <b>Intergovernmental</b>                            |                       |                       |                       |                               |
| Public safety                                       | \$ -                  | \$ -                  | \$ 2,445,663          | \$ (2,445,663)                |
| <b>Total Expenditures</b>                           | <b>\$ 31,972,211</b>  | <b>\$ 31,650,346</b>  | <b>\$ 33,832,034</b>  | <b>\$ (2,181,688)</b>         |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>\$ (3,652,113)</b> | <b>\$ (3,224,854)</b> | <b>\$ (1,124,956)</b> | <b>\$ 2,099,898</b>           |
| <b>Other Financing Sources (Uses)</b>               |                       |                       |                       |                               |
| Transfers in  | \$ 2,319,381          | \$ 3,131,010          | \$ 2,594,961          | \$ (536,049)                  |
| Transfers out                                       | -                     | (348,321)             | (374,037)             | (25,716)                      |
| Proceeds from sale of capital assets                | 4,000                 | 4,000                 | 9,575                 | 5,575                         |
| <b>Total Other Financing Sources (Uses)</b>         | <b>\$ 2,323,381</b>   | <b>\$ 2,786,689</b>   | <b>\$ 2,230,499</b>   | <b>\$ (556,190)</b>           |
| <b>Net Change in Fund Balance</b>                   | <b>\$ (1,328,732)</b> | <b>\$ (438,165)</b>   | <b>\$ 1,105,543</b>   | <b>\$ 1,543,708</b>           |
| <b>Fund Balance - January 1</b>                     | <b>7,193,252</b>      | <b>7,193,252</b>      | <b>7,193,252</b>      | <b>-</b>                      |
| <b>Fund Balance - December 31</b>                   | <b>\$ 5,864,520</b>   | <b>\$ 6,755,087</b>   | <b>\$ 8,298,795</b>   | <b>\$ 1,543,708</b>           |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|  | Budgeted Amounts      |                       | Actual<br>Amounts    | Variance with<br>Final Budget |
|--|-----------------------|-----------------------|----------------------|-------------------------------|
|  | Original              | Final                 |                      |                               |
| <b>Revenues</b>  |                       |                       |                      |                               |
| Taxes  | \$ 2,683,057          | \$ 2,583,057          | \$ 2,727,943         | \$ 144,886                    |
| Intergovernmental  | 10,181,800            | 10,181,800            | 10,788,474           | 606,674                       |
| Charges for services                                       | 15,000                | 15,000                | 47,256               | 32,256                        |
| Miscellaneous  | 37,000                | 38,300                | 40,363               | 2,063                         |
| <b>Total Revenues</b>                                      | <b>\$ 12,916,857</b>  | <b>\$ 12,818,157</b>  | <b>\$ 13,604,036</b> | <b>\$ 785,879</b>             |
| <b>Expenditures</b>  |                       |                       |                      |                               |
| <b>Current</b>   |                       |                       |                      |                               |
| <b>Highways and streets</b>                                |                       |                       |                      |                               |
| Administration   | \$ 595,012            | \$ 592,304            | \$ 1,045,916         | \$ (453,612)                  |
| Maintenance  | 3,514,917             | 3,300,770             | 2,666,456            | 634,314                       |
| Construction   | 9,352,696             | 9,667,889             | 7,988,759            | 1,679,130                     |
| Equipment, maintenance, and shops                          | 1,450,777             | 1,445,786             | 1,631,831            | (186,045)                     |
| <b>Total highways and streets</b>                          | <b>\$ 14,913,402</b>  | <b>\$ 15,006,749</b>  | <b>\$ 13,332,962</b> | <b>\$ 1,673,787</b>           |
| <b>Conservation of natural resources</b>                   |                       |                       |                      |                               |
| Agricultural inspector                                     | \$ 66,055             | \$ 66,020             | \$ 64,812            | \$ 1,208                      |
| <b>Intergovernmental</b>                                   |                       |                       |                      |                               |
| Highways and streets                                       | \$ -                  | \$ -                  | \$ 530,847           | \$ (530,847)                  |
| <b>Total Expenditures</b>                                  | <b>\$ 14,979,457</b>  | <b>\$ 15,072,769</b>  | <b>\$ 13,928,621</b> | <b>\$ 1,144,148</b>           |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b>    | <b>\$ (2,062,600)</b> | <b>\$ (2,254,612)</b> | <b>\$ (324,585)</b>  | <b>\$ 1,930,027</b>           |
| <b>Other Financing Sources (Uses)</b>                      |                       |                       |                      |                               |
| Transfers in   | \$ 1,600,000          | \$ 1,607,468          | \$ 1,249,113         | \$ (358,355)                  |
| Transfers out  | -                     | (128,575)             | (128,575)            | -                             |
| <b>Total Other Financing<br/>Sources (Uses)</b>            | <b>\$ 1,600,000</b>   | <b>\$ 1,478,893</b>   | <b>\$ 1,120,538</b>  | <b>\$ (358,355)</b>           |
| <b>Net Change in Fund Balance</b>                          | <b>\$ (462,600)</b>   | <b>\$ (775,719)</b>   | <b>\$ 795,953</b>    | <b>\$ 1,571,672</b>           |
| <b>Fund Balance - January 1</b>                            | <b>(487,882)</b>      | <b>(487,882)</b>      | <b>(487,882)</b>     | <b>-</b>                      |
| <b>Increase (decrease) in reserved for<br/>inventories</b> | <b>(82,883)</b>       | <b>(82,883)</b>       | <b>50,467</b>        | <b>133,350</b>                |
| <b>Fund Balance - December 31</b>                          | <b>\$ (1,033,365)</b> | <b>\$ (1,346,484)</b> | <b>\$ 358,538</b>    | <b>\$ 1,705,022</b>           |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | Budgeted Amounts     |                      | Actual<br>Amounts    | Variance with<br>Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
|   | Original             | Final                |                      |                               |
| <b>Revenues</b>   |                      |                      |                      |                               |
| Taxes   | \$ 14,252,324        | \$ 14,252,324        | \$ 14,298,710        | \$ 46,386                     |
| Intergovernmental                                       | 17,477,745           | 18,066,842           | 19,125,248           | 1,058,406                     |
| Charges for services                                    | 751,315              | 691,715              | 541,310              | (150,405)                     |
| Miscellaneous   | 1,184,514            | 1,244,114            | 1,255,790            | 11,676                        |
| <b>Total Revenues</b>                                   | <b>\$ 33,665,898</b> | <b>\$ 34,254,995</b> | <b>\$ 35,221,058</b> | <b>\$ 966,063</b>             |
| <b>Expenditures</b>                                     |                      |                      |                      |                               |
| <b>Current</b>  |                      |                      |                      |                               |
| <b>Public safety</b>                                    |                      |                      |                      |                               |
| Community corrections                                   | \$ 5,082,054         | \$ 4,907,312         | \$ 4,278,873         | \$ 628,439                    |
| <b>Human services</b>                                   |                      |                      |                      |                               |
| Administrative services                                 | \$ 2,725,829         | \$ 2,578,415         | \$ 2,533,657         | \$ 44,758                     |
| Gateway services  | 5,735,297            | 5,681,165            | 5,280,388            | 400,777                       |
| Community supports                                      | 7,372,305            | 7,643,278            | 7,623,365            | 19,913                        |
| Family and children services                            | 5,996,940            | 6,156,102            | 6,041,021            | 115,081                       |
| Finance and technology                                  | 4,790,718            | 5,842,274            | 6,128,370            | (286,096)                     |
| <b>Total human services</b>                             | <b>\$ 26,621,089</b> | <b>\$ 27,901,234</b> | <b>\$ 27,606,801</b> | <b>\$ 294,433</b>             |
| <b>Health</b>   |                      |                      |                      |                               |
| Nursing service   | \$ 1,937,755         | \$ 1,784,295         | \$ 1,652,663         | \$ 131,632                    |
| <b>Total Expenditures</b>                               | <b>\$ 33,640,898</b> | <b>\$ 34,592,841</b> | <b>\$ 33,538,337</b> | <b>\$ 1,054,504</b>           |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ 25,000</b>     | <b>\$ (337,846)</b>  | <b>\$ 1,682,721</b>  | <b>\$ 2,020,567</b>           |
| <b>Other Financing Sources (Uses)</b>                   |                      |                      |                      |                               |
| Transfers in  | -                    | 340,448              | 340,448              | -                             |
| Transfers out   | -                    | (311,672)            | (311,672)            | -                             |
| <b>Total Other Financing<br/>Sources (Uses)</b>         | <b>\$ -</b>          | <b>\$ 28,776</b>     | <b>\$ 28,776</b>     | <b>\$ -</b>                   |
| <b>Net Change in Fund Balance</b>                       | <b>\$ 25,000</b>     | <b>\$ (309,070)</b>  | <b>\$ 1,711,497</b>  | <b>\$ 2,020,567</b>           |
| <b>Fund Balance - January 1</b>                         | <b>6,407,121</b>     | <b>6,407,121</b>     | <b>6,407,121</b>     | <b>-</b>                      |
| <b>Fund Balance - December 31</b>                       | <b>\$ 6,432,121</b>  | <b>\$ 6,098,051</b>  | <b>\$ 8,118,618</b>  | <b>\$ 2,020,567</b>           |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
|   | Original            | Final               |                     |                               |
| <b>Revenues</b>   |                     |                     |                     |                               |
| Taxes   | \$ 4,956,481        | \$ 4,956,481        | \$ 4,966,403        | \$ 9,922                      |
| Special assessments                                     | -                   | -                   | 8,152               | 8,152                         |
| Intergovernmental                                       | 593,410             | 593,410             | 599,856             | 6,446                         |
| Investment income                                       | -                   | -                   | 57,603              | 57,603                        |
| Miscellaneous   | 226,434             | 226,434             | 226,505             | 71                            |
| <b>Total Revenues</b>                                   | <b>\$ 5,776,325</b> | <b>\$ 5,776,325</b> | <b>\$ 5,858,519</b> | <b>\$ 82,194</b>              |
| <b>Expenditures</b>                                     |                     |                     |                     |                               |
| <b>Current</b>  |                     |                     |                     |                               |
| <b>General government</b>                               |                     |                     |                     |                               |
| Other   | \$ 124,000          | \$ 124,000          | \$ 15,000           | \$ 109,000                    |
| <b>Debt service</b>                                     |                     |                     |                     |                               |
| Principal retirement                                    | 4,785,000           | 4,785,000           | 4,800,000           | (15,000)                      |
| Interest  | 867,325             | 867,325             | 897,585             | (30,260)                      |
| <b>Total Expenditures</b>                               | <b>\$ 5,776,325</b> | <b>\$ 5,776,325</b> | <b>\$ 5,712,585</b> | <b>\$ 63,740</b>              |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 145,934</b>   | <b>\$ 145,934</b>             |
| <b>Fund Balance - January 1</b>                         | <b>3,563,643</b>    | <b>3,563,643</b>    | <b>3,563,643</b>    | <b>-</b>                      |
| <b>Fund Balance - December 31</b>                       | <b>\$ 3,563,643</b> | <b>\$ 3,563,643</b> | <b>\$ 3,709,577</b> | <b>\$ 145,934</b>             |

This page was left blank intentionally.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004

---

---

1. Budgetary Information

Budget Policies

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

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

Encumbrances

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

---

---

2. Excess of Expenditures Over Budget

The following major governmental funds had expenditures in excess of budget at the function level for the year ended December 31, 2004.

|                                      | <u>Expenditures</u> | <u>Final Budget</u> | <u>Excess</u> |
|--------------------------------------|---------------------|---------------------|---------------|
| General Fund                         |                     |                     |               |
| Current                              |                     |                     |               |
| Public safety                        | \$ 14,029,540       | \$ 13,913,313       | \$ 116,227    |
| Intergovernmental                    |                     |                     |               |
| Public safety                        | 2,445,663           | -                   | 2,445,663     |
| Road and Bridge Special Revenue Fund |                     |                     |               |
| Intergovernmental                    |                     |                     |               |
| Highways and streets                 | 530,847             | -                   | 530,847       |
| Debt Service Fund                    |                     |                     |               |
| Debt Service                         |                     |                     |               |
| Principal retirement                 | 4,800,000           | 4,785,000           | 15,000        |
| Interest                             | 897,585             | 867,325             | 30,260        |

**SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

This page was left blank intentionally.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

**AGENCY FUND**

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

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

|   | <u>County<br/>Building</u> | <u>County<br/>Park</u>   | <u>Law<br/>Library</u>   |
|---|----------------------------|--------------------------|--------------------------|
| <b><u>Assets</u></b>                        |                            |                          |                          |
| Cash and pooled investments                 | \$ 122,766                 | \$ 496,527               | \$ 204,236               |
| Petty cash and change funds                 | -                          | 100                      | -                        |
| Taxes receivable delinquent                 | 1,595                      | 9,622                    | -                        |
| Special assessments receivable              |                            |                          |                          |
| Delinquent                                  | -                          | -                        | -                        |
| Deferred                                    | -                          | -                        | -                        |
| Accounts receivable                         | -                          | -                        | -                        |
| Loans receivable                            | -                          | -                        | -                        |
| Inventories                                 | -                          | 1,147                    | -                        |
| <b>Total Assets</b>                         | <b><u>\$ 124,361</u></b>   | <b><u>\$ 507,396</u></b> | <b><u>\$ 204,236</u></b> |
| <b><u>Liabilities and Fund Balances</u></b> |                            |                          |                          |
| <b>Liabilities</b>                          |                            |                          |                          |
| Accounts payable                            | \$ 55,885                  | \$ 12,729                | \$ 13,802                |
| Salaries payable                            | -                          | 18,862                   | 1,406                    |
| Due to other governments                    | -                          | 9,218                    | -                        |
| Deferred revenue - unavailable              | 1,425                      | 7,329                    | -                        |
| Deferred revenue - unearned                 | -                          | -                        | -                        |
| Advance from other funds                    | -                          | -                        | -                        |
| <b>Total Liabilities</b>                    | <b><u>\$ 57,310</u></b>    | <b><u>\$ 48,138</u></b>  | <b><u>\$ 15,208</u></b>  |
| <b>Fund Balances</b>                        |                            |                          |                          |
| Reserved for economic development           | \$ -                       | \$ -                     | \$ -                     |
| Reserved for gravel pit closure             | -                          | -                        | -                        |
| Reserved for landfill closure               | -                          | -                        | -                        |
| Unreserved                                  |                            |                          |                          |
| Designated for K9 unit                      | -                          | -                        | -                        |
| Designated for wellness activities          | -                          | -                        | -                        |
| Undesignated                                | 67,051                     | 459,258                  | 189,028                  |
| <b>Total Fund Balances</b>                  | <b><u>\$ 67,051</u></b>    | <b><u>\$ 459,258</u></b> | <b><u>\$ 189,028</u></b> |
| <b>Total Liabilities and Fund Balances</b>  | <b><u>\$ 124,361</u></b>   | <b><u>\$ 507,396</u></b> | <b><u>\$ 204,236</u></b> |

**Statement 1**

| <b>Special Revenue Funds</b> |                                 |                   |                      | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|------------------------------|---------------------------------|-------------------|----------------------|--|
| <b>Solid<br/>Waste</b>       | <b>Economic<br/>Development</b> | <b>Ditch</b>      | <b>Miscellaneous</b> |  |
| \$ 589,579                   | \$ 777,309                      | \$ 246,201        | \$ 332,847           | \$ 2,769,465   |
| -                            | -                               | -                 | -                    | 100  |
| -                            | -                               | -                 | -                    | 11,217   |
| 32,753                       | -                               | 1,475             | -                    | 34,228   |
| -                            | -                               | 118,672           | -                    | 118,672  |
| 10,004                       | -                               | -                 | -                    | 10,004   |
| -                            | 239,520                         | -                 | -                    | 239,520  |
| -                            | -                               | -                 | -                    | 1,147  |
| <b>\$ 632,336</b>            | <b>\$ 1,016,829</b>             | <b>\$ 366,348</b> | <b>\$ 332,847</b>    | <b>\$ 3,184,353</b>                                  |
| <br>                         |                                 |                   |                      |  |
| \$ 410                       | \$ -                            | \$ -              | \$ 55,793            | \$ 138,619   |
| 3,816                        | -                               | -                 | -                    | 24,084   |
| -                            | -                               | -                 | -                    | 9,218  |
| 32,753                       | -                               | 120,147           | -                    | 161,654  |
| -                            | 239,520                         | -                 | -                    | 239,520  |
| -                            | -                               | 17,000            | -                    | 17,000   |
| <b>\$ 36,979</b>             | <b>\$ 239,520</b>               | <b>\$ 137,147</b> | <b>\$ 55,793</b>     | <b>\$ 590,095</b>                                    |
| <br>                         |                                 |                   |                      |  |
| \$ -                         | \$ 777,309                      | \$ -              | \$ -                 | \$ 777,309   |
| -                            | -                               | -                 | 182,187              | 182,187  |
| -                            | -                               | -                 | 57,339               | 57,339   |
| -                            | -                               | -                 | 11,812               | 11,812   |
| -                            | -                               | -                 | 25,716               | 25,716   |
| 595,357                      | -                               | 229,201           | -                    | 1,539,895  |
| <b>\$ 595,357</b>            | <b>\$ 777,309</b>               | <b>\$ 229,201</b> | <b>\$ 277,054</b>    | <b>\$ 2,594,258</b>                                  |
| <b>\$ 632,336</b>            | <b>\$ 1,016,829</b>             | <b>\$ 366,348</b> | <b>\$ 332,847</b>    | <b>\$ 3,184,353</b>                                  |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | <u>County<br/>Building</u> | <u>County<br/>Park</u> | <u>Law<br/>Library</u> |
|---|----------------------------|------------------------|------------------------|
| <b>Revenues</b>                             |                            |                        |                        |
| Taxes                                       | \$ 36,756                  | \$ 498,004             | \$ -                   |
| Special assessments                         | -                          | -                      | -                      |
| Licenses and permits                        | -                          | 40,531                 | -                      |
| Intergovernmental                           | 4,119                      | 191,835                | -                      |
| Charges for services                        | -                          | -                      | 995                    |
| Fines and forfeits                          | -                          | -                      | 149,750                |
| Gifts and contributions                     | -                          | 10,224                 | -                      |
| Investment income                           | -                          | 904                    | -                      |
| Miscellaneous                               | -                          | 8,071                  | -                      |
| <b>Total Revenues</b>                       | <b>\$ 40,875</b>           | <b>\$ 749,569</b>      | <b>\$ 150,745</b>      |
| <b>Expenditures</b>                         |                            |                        |                        |
| <b>Current</b>                              |                            |                        |                        |
| General government                          | \$ 132,461                 | \$ -                   | \$ 120,312             |
| Public safety                               | -                          | -                      | -                      |
| Highways and streets                        | 36,850                     | -                      | -                      |
| Sanitation                                  | -                          | -                      | -                      |
| Culture and recreation                      | 5,898                      | 769,130                | -                      |
| Conservation of natural resources           | -                          | -                      | -                      |
| Economic development                        | -                          | -                      | -                      |
| <b>Debt service</b>                         |                            |                        |                        |
| Principal retirement                        | -                          | -                      | -                      |
| Interest                                    | -                          | -                      | -                      |
| <b>Total Expenditures</b>                   | <b>\$ 175,209</b>          | <b>\$ 769,130</b>      | <b>\$ 120,312</b>      |
| <b>Excess of Revenues Over (Under)</b>      |                            |                        |                        |
| <b>Expenditures</b>                         | <b>\$ (134,334)</b>        | <b>\$ (19,561)</b>     | <b>\$ 30,433</b>       |
| <b>Other Financing Sources (Uses)</b>       |                            |                        |                        |
| Transfers in                                | \$ -                       | \$ 42                  | \$ -                   |
| Transfers out                               | -                          | (1,206)                | -                      |
| <b>Total Other Financing Sources (Uses)</b> | <b>\$ -</b>                | <b>\$ (1,164)</b>      | <b>\$ -</b>            |
| <b>Net Change in Fund Balances</b>          | <b>\$ (134,334)</b>        | <b>\$ (20,725)</b>     | <b>\$ 30,433</b>       |
| <b>Fund Balance - January 1</b>             | <b>201,385</b>             | <b>479,983</b>         | <b>158,595</b>         |
| <b>Fund Balance - December 31</b>           | <b>\$ 67,051</b>           | <b>\$ 459,258</b>      | <b>\$ 189,028</b>      |

**Statement 2**

| <b>Special Revenue Funds</b> |                                 |                   |                      | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|------------------------------|---------------------------------|-------------------|----------------------|--|
| <b>Solid<br/>Waste</b>       | <b>Economic<br/>Development</b> | <b>Ditch</b>      | <b>Miscellaneous</b> |  |
| \$ -                         | \$ -                            | \$ -              | \$ 21,188            | \$ 555,948   |
| 326,439                      | -                               | 61,297            | -                    | 387,736  |
| -                            | -                               | -                 | -                    | 40,531   |
| -                            | -                               | -                 | -                    | 195,954  |
| 286,388                      | -                               | -                 | -                    | 287,383  |
| -                            | -                               | -                 | -                    | 149,750  |
| -                            | -                               | -                 | 12,175               | 22,399   |
| 6,806                        | 20,797                          | -                 | -                    | 28,507   |
| 14,365                       | 82,666                          | -                 | 20,293               | 125,395  |
| <b>\$ 633,998</b>            | <b>\$ 103,463</b>               | <b>\$ 61,297</b>  | <b>\$ 53,656</b>     | <b>\$ 1,793,603</b>                                  |
| \$ -                         | \$ -                            | \$ -              | \$ 20,293            | \$ 273,066   |
| -                            | -                               | -                 | 10,297               | 10,297   |
| -                            | -                               | -                 | -                    | 36,850   |
| 339,555                      | -                               | -                 | -                    | 339,555  |
| -                            | -                               | -                 | -                    | 775,028  |
| -                            | -                               | 938               | -                    | 938  |
| -                            | 55,484                          | -                 | -                    | 55,484   |
| -                            | 43,403                          | 50,000            | -                    | 93,403   |
| -                            | 956                             | 10,615            | -                    | 11,571   |
| <b>\$ 339,555</b>            | <b>\$ 99,843</b>                | <b>\$ 61,553</b>  | <b>\$ 30,590</b>     | <b>\$ 1,596,192</b>                                  |
| <b>\$ 294,443</b>            | <b>\$ 3,620</b>                 | <b>\$ (256)</b>   | <b>\$ 23,066</b>     | <b>\$ 197,411</b>                                    |
| \$ 363                       | \$ -                            | \$ -              | \$ 25,716            | \$ 26,121  |
| (576)                        | -                               | -                 | -                    | (1,782)  |
| <b>\$ (213)</b>              | <b>\$ -</b>                     | <b>\$ -</b>       | <b>\$ 25,716</b>     | <b>\$ 24,339</b>                                     |
| <b>\$ 294,230</b>            | <b>\$ 3,620</b>                 | <b>\$ (256)</b>   | <b>\$ 48,782</b>     | <b>\$ 221,750</b>                                    |
| <b>301,127</b>               | <b>773,689</b>                  | <b>229,457</b>    | <b>228,272</b>       | <b>2,372,508</b>                                     |
| <b>\$ 595,357</b>            | <b>\$ 777,309</b>               | <b>\$ 229,201</b> | <b>\$ 277,054</b>    | <b>\$ 2,594,258</b>                                  |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | Budgeted Amounts  |                   | Actual<br>Amounts   | Variance with<br>Final Budget |
|---|-------------------|-------------------|---------------------|-------------------------------|
|   | Original          | Final             |                     |                               |
| <b>Revenues</b>   |                   |                   |                     |                               |
| Taxes   | \$ 35,925         | \$ 35,925         | \$ 36,756           | \$ 831                        |
| Intergovernmental                                       | 4,075             | 4,075             | 4,119               | 44                            |
| <b>Total Revenues</b>                                   | <b>\$ 40,000</b>  | <b>\$ 40,000</b>  | <b>\$ 40,875</b>    | <b>\$ 875</b>                 |
| <b>Expenditures</b>                                     |                   |                   |                     |                               |
| <b>Current</b>  |                   |                   |                     |                               |
| General government                                      | \$ 40,000         | \$ 40,000         | \$ 132,461          | \$ (92,461)                   |
| Highways and streets                                    | -                 | -                 | 36,850              | (36,850)                      |
| Culture and recreation                                  | -                 | -                 | 5,898               | (5,898)                       |
| <b>Total Expenditures</b>                               | <b>\$ 40,000</b>  | <b>\$ 40,000</b>  | <b>\$ 175,209</b>   | <b>\$ (135,209)</b>           |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ (134,334)</b> | <b>\$ (134,334)</b>           |
| <b>Fund Balance - January 1</b>                         | <b>201,385</b>    | <b>201,385</b>    | <b>201,385</b>      | <b>-</b>                      |
| <b>Fund Balance - December 31</b>                       | <b>\$ 201,385</b> | <b>\$ 201,385</b> | <b>\$ 67,051</b>    | <b>\$ (134,334)</b>           |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY PARK SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | Budgeted Amounts  |                    | Actual<br>Amounts  | Variance with<br>Final Budget |
|---|-------------------|--------------------|--------------------|-------------------------------|
|   | Original          | Final              |                    |                               |
| <b>Revenues</b>   |                   |                    |                    |                               |
| Taxes   | \$ 501,088        | \$ 501,088         | \$ 498,004         | \$ (3,084)                    |
| Licenses and permits                                    | 45,000            | 45,000             | 40,531             | (4,469)                       |
| Intergovernmental                                       | 59,770            | 59,770             | 191,835            | 132,065                       |
| Gifts and contributions                                 | -                 | 10,000             | 10,224             | 224                           |
| Investment income                                       | -                 | -                  | 904                | 904                           |
| Miscellaneous   | 17,800            | 17,800             | 8,071              | (9,729)                       |
| <b>Total Revenues</b>                                   | <b>\$ 623,658</b> | <b>\$ 633,658</b>  | <b>\$ 749,569</b>  | <b>\$ 115,911</b>             |
| <b>Expenditures</b>                                     |                   |                    |                    |                               |
| <b>Current</b>  |                   |                    |                    |                               |
| <b>Culture and recreation</b>                           |                   |                    |                    |                               |
| Parks   | 629,658           | 643,192            | 769,130            | (125,938)                     |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ (6,000)</b> | <b>\$ (9,534)</b>  | <b>\$ (19,561)</b> | <b>\$ (10,027)</b>            |
| <b>Other Financing Sources (Uses)</b>                   |                   |                    |                    |                               |
| Transfers in  | \$ -              | \$ 42              | \$ 42              | \$ -                          |
| Transfers out   | -                 | (1,206)            | (1,206)            | -                             |
| <b>Total Other Financing<br/>Sources (Uses)</b>         | <b>\$ -</b>       | <b>\$ (1,164)</b>  | <b>\$ (1,164)</b>  | <b>\$ -</b>                   |
| <b>Net Change in Fund Balance</b>                       | <b>\$ (6,000)</b> | <b>\$ (10,698)</b> | <b>\$ (20,725)</b> | <b>\$ (10,027)</b>            |
| <b>Fund Balance - January 1</b>                         | <b>479,983</b>    | <b>479,983</b>     | <b>479,983</b>     | <b>-</b>                      |
| <b>Fund Balance - December 31</b>                       | <b>\$ 473,983</b> | <b>\$ 469,285</b>  | <b>\$ 459,258</b>  | <b>\$ (10,027)</b>            |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 7*

**BUDGETARY COMPARISON SCHEDULE  
LAW LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | <u>Budgeted Amounts</u>  |                          | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|--------------------------|--------------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>          | <u>Final</u>             |                           |                                       |
| <b>Revenues</b>   |                          |                          |                           |                                       |
| Charges for services                                    | \$ 2,000                 | \$ 2,000                 | \$ 995                    | \$ (1,005)                            |
| Fines and forfeits                                      | <u>128,000</u>           | <u>128,000</u>           | <u>149,750</u>            | <u>21,750</u>                         |
| <b>Total Revenues</b>                                   | <b>\$ 130,000</b>        | <b>\$ 130,000</b>        | <b>\$ 150,745</b>         | <b>\$ 20,745</b>                      |
| <b>Expenditures</b>                                     |                          |                          |                           |                                       |
| <b>Current</b>  |                          |                          |                           |                                       |
| <b>General government</b>                               |                          |                          |                           |                                       |
| Law library   | <u>130,000</u>           | <u>130,000</u>           | <u>120,312</u>            | <u>9,688</u>                          |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ -</b>              | <b>\$ -</b>              | <b>\$ 30,433</b>          | <b>\$ 30,433</b>                      |
| <b>Fund Balance - January 1</b>                         | <u>158,595</u>           | <u>158,595</u>           | <u>158,595</u>            | <u>-</u>                              |
| <b>Fund Balance - December 31</b>                       | <u><u>\$ 158,595</u></u> | <u><u>\$ 158,595</u></u> | <u><u>\$ 189,028</u></u>  | <u><u>\$ 30,433</u></u>               |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 8*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
|   | Original          | Final             |                   |                               |
| <b>Revenues</b>   |                   |                   |                   |                               |
| Special assessments                                     | \$ 314,754        | \$ 314,754        | \$ 326,439        | \$ 11,685                     |
| Charges for services                                    | 225,000           | 225,000           | 286,388           | 61,388                        |
| Investment income                                       | -                 | -                 | 6,806             | 6,806                         |
| Miscellaneous   | 5,000             | 5,000             | 14,365            | 9,365                         |
| <b>Total Revenues</b>                                   | <b>\$ 544,754</b> | <b>\$ 544,754</b> | <b>\$ 633,998</b> | <b>\$ 89,244</b>              |
| <b>Expenditures</b>                                     |                   |                   |                   |                               |
| <b>Current</b>  |                   |                   |                   |                               |
| <b>Sanitation</b>                                       |                   |                   |                   |                               |
| Solid waste   | 544,754           | 544,541           | 339,555           | 204,986                       |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ -</b>       | <b>\$ 213</b>     | <b>\$ 294,443</b> | <b>\$ 294,230</b>             |
| <b>Other Financing Sources (Uses)</b>                   |                   |                   |                   |                               |
| Transfers in  | \$ -              | \$ 363            | \$ 363            | \$ -                          |
| Transfers out   | -                 | (576)             | (576)             | -                             |
| <b>Total Other Financing<br/>Sources (Uses)</b>         | <b>\$ -</b>       | <b>\$ (213)</b>   | <b>\$ (213)</b>   | <b>\$ -</b>                   |
| <b>Net Change in Fund Balance</b>                       | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ 294,230</b> | <b>\$ 294,230</b>             |
| <b>Fund Balance - January 1</b>                         | <b>301,127</b>    | <b>301,127</b>    | <b>301,127</b>    | <b>-</b>                      |
| <b>Fund Balance - December 31</b>                       | <b>\$ 301,127</b> | <b>\$ 301,127</b> | <b>\$ 595,357</b> | <b>\$ 294,230</b>             |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 9*

**BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|-------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Revenues</b>   |                         |                   |                           |                                       |
| Investment income                                       | \$ 17,810               | \$ 17,810         | \$ 20,797                 | \$ 2,987                              |
| Miscellaneous   | 80,279                  | 80,279            | 82,666                    | 2,387                                 |
| <b>Total Revenues</b>                                   | <b>\$ 98,089</b>        | <b>\$ 98,089</b>  | <b>\$ 103,463</b>         | <b>\$ 5,374</b>                       |
| <b>Expenditures</b>                                     |                         |                   |                           |                                       |
| <b>Current</b>  |                         |                   |                           |                                       |
| <b>Economic development</b>                             |                         |                   |                           |                                       |
| Community development                                   | \$ 7,000                | \$ 7,000          | \$ 55,484                 | \$ (48,484)                           |
| <b>Debt service</b>                                     |                         |                   |                           |                                       |
| Principal retirement                                    | 90,109                  | 90,109            | 43,403                    | 46,706                                |
| Interest  | 980                     | 980               | 956                       | 24                                    |
| <b>Total Expenditures</b>                               | <b>\$ 98,089</b>        | <b>\$ 98,089</b>  | <b>\$ 99,843</b>          | <b>\$ (1,754)</b>                     |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ -</b>             | <b>\$ -</b>       | <b>\$ 3,620</b>           | <b>\$ 3,620</b>                       |
| <b>Fund Balance - January 1</b>                         | <b>773,689</b>          | <b>773,689</b>    | <b>773,689</b>            | <b>-</b>                              |
| <b>Fund Balance - December 31</b>                       | <b>\$ 773,689</b>       | <b>\$ 773,689</b> | <b>\$ 777,309</b>         | <b>\$ 3,620</b>                       |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Statement 3*

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|                             | <u>Balance<br/>January 1</u> | <u>Additions</u>      | <u>Deductions</u>     | <u>Balance<br/>December 31</u> |
|-----------------------------|------------------------------|-----------------------|-----------------------|--------------------------------|
| <b><u>Assets</u></b>        |                              |                       |                       |                                |
| Cash and pooled investments | \$ 7,731,989                 | \$ 280,883,862        | \$ 283,981,446        | \$ 4,634,405                   |
| Accounts receivable         | 134,234                      | -                     | 134,234               | -                              |
| <b>Total Assets</b>         | <b>\$ 7,866,223</b>          | <b>\$ 280,883,862</b> | <b>\$ 284,115,680</b> | <b>\$ 4,634,405</b>            |
| <b><u>Liabilities</u></b>   |                              |                       |                       |                                |
| Accounts payable            | \$ 78,168                    | \$ 27,030             | \$ 78,168             | \$ 27,030                      |
| Due to other governments    | 7,788,055                    | 280,856,832           | 284,037,512           | 4,607,375                      |
| <b>Total Liabilities</b>    | <b>\$ 7,866,223</b>          | <b>\$ 280,883,862</b> | <b>\$ 284,115,680</b> | <b>\$ 4,634,405</b>            |

This page was left blank intentionally.

## **OTHER SCHEDULES**

This page was left blank intentionally.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 10*

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

|   | 2003                 |                           | 2004                 |                           | 2005                 |                           |
|---|----------------------|---------------------------|----------------------|---------------------------|----------------------|---------------------------|
|   | Amount               | Net Tax Capacity Rate (%) | Amount               | Net Tax Capacity Rate (%) | Amount               | Net Tax Capacity Rate (%) |
| <b>Tax Capacity</b>                                   |                      |                           |                      |                           |                      |                           |
| Real property   | \$ 71,082,344        |                           | \$ 80,658,813        |                           | \$ 96,944,506        |                           |
| Personal property                                     | 1,338,212            |                           | 1,383,116            |                           | 1,440,956            |                           |
| <b>Net Tax Capacity</b>                               | <b>\$ 72,420,556</b> |                           | <b>\$ 82,041,929</b> |                           | <b>\$ 98,385,462</b> |                           |
| <b>Taxes Levied for County Purposes</b>               |                      |                           |                      |                           |                      |                           |
| General   | \$ 16,792,543        | 21.087                    | \$ 19,072,758        | 18.882                    | \$ 21,292,969        | 18.421                    |
| Road and Bridge                                       | 3,895,477            | 4.880                     | 2,894,134            | 3.528                     | 4,943,288            | 4.205                     |
| Human Services  | 13,767,863           | 17.234                    | 15,969,359           | 19.465                    | 16,786,581           | 17.903                    |
| County Building                                       | 40,000               | 0.038                     | 40,000               | 0.049                     | 137,000              | 0.146                     |
| County Park   | 574,353              | 0.722                     | 554,858              | 0.676                     | 1,638,662            | 0.681                     |
| Regional Library                                      | 1,661,025            | 2.090                     | 1,618,028            | 1.972                     | 1,714,988            | 1.829                     |
| Debt Service  | 5,404,245            | 7.462                     | 5,549,891            | 6.765                     | 5,862,360            | 5.982                     |
| <b>Total Levy for County Purposes</b>                 | <b>\$ 42,135,506</b> | <b>53.513</b>             | <b>\$ 45,699,028</b> | <b>51.337</b>             | <b>\$ 52,375,848</b> | <b>49.167</b>             |
| <b>Less Credits Payable by State</b>                  | <b>3,381,227</b>     |                           | <b>3,582,001</b>     |                           | <b>6,274,225</b>     |                           |
| <b>Net Levy Certified to State</b>                    | <b>\$ 38,754,279</b> |                           | <b>\$ 42,117,027</b> |                           | <b>\$ 46,101,623</b> |                           |
| <b>Less Market Value Credits Payable by State</b>     | <b>4,383,897</b>     |                           | <b>4,502,345</b>     |                           | <b>4,531,498</b>     |                           |
| <b>Net Levy for County Purposes</b>                   | <b>\$ 34,370,382</b> |                           | <b>\$ 37,614,682</b> |                           | <b>\$ 41,570,125</b> |                           |
| <b>Percentage of Tax Collections for All Purposes</b> | <b>98.83%</b>        |                           | <b>98.84%</b>        |                           | <b>N/A</b>           |                           |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
(ACCRUAL BASIS)  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2004**

| Assets                                  |                                   |                                |                   |           |                |
|---|-----------------------------------|--------------------------------|-------------------|-----------|----------------|
|   | Cash and<br>Pooled<br>Investments | Special Assessments Receivable |                   | Total     |                |
|   |                                   | Delinquent                     | Deferred          |           |                |
| <b>Judicial Ditches</b>                 |                                   |                                |                   |           |                |
| 1 Grove Lake                            | \$ 4,425                          | \$ -                           | \$ -              | \$        | 4,425          |
| 3                                       | 2,155                             | 15                             | 1,220             |           | 3,390          |
| <b>County Ditches</b>                   |                                   |                                |                   |           |                |
| 7 Lateral A                             | 45,030                            | 1,009                          | 20,352            |           | 66,391         |
| 9                                       | 48,598                            | -                              | -                 |           | 48,598         |
| 17                                      | 3,638                             | -                              | 11,525            |           | 15,163         |
| 29                                      | 25,219                            | 184                            | -                 |           | 25,403         |
| 32                                      | 75,285                            | -                              | 32,329            |           | 107,614        |
| 37                                      | 1,024                             | 267                            | 18,467            |           | 19,758         |
| 50                                      | 10,394                            | -                              | -                 |           | 10,394         |
| 51                                      | 30,433                            | -                              | 34,779            |           | 65,212         |
| <b>Total</b>                            | <b>\$ 246,201</b>                 | <b>\$ 1,475</b>                | <b>\$ 118,672</b> | <b>\$</b> | <b>366,348</b> |
| <b>Reconciliation</b>                   |                                   |                                |                   |           |                |
| Add (Deduct)                            | -                                 | -                              | -                 |           | -              |
| <b>Modified Accrual Per Statement 1</b> | <b>\$ 246,201</b>                 | <b>\$ 1,475</b>                | <b>\$ 118,672</b> | <b>\$</b> | <b>366,348</b> |

**Schedule 11**

| <b>Liabilities</b>      |                                 |   |                   |                                  |   |  |  |
|-------------------------|---------------------------------|---|-------------------|----------------------------------|---|--|--|
| <b>Deferred Revenue</b> | <b>Advance from Other Funds</b> | <b>General Obligation Bonds Payable</b> | <b>Total</b>      | <b>Undesignated Fund Balance</b> | <b>Total Liabilities and Fund Balance</b> |  |  |
| \$ -                    | \$ -                            | \$ 3,927                                | \$ 3,927          | \$ 498                           | \$ 4,425                                  |  |  |
| -                       | -                               | 2,354                                   | 2,354             | 1,036                            | 3,390                                     |  |  |
| -                       | -                               | 27,577                                  | 27,577            | 38,814                           | 66,391                                    |  |  |
| -                       | -                               | 12,243                                  | 12,243            | 36,355                           | 48,598                                    |  |  |
| -                       | -                               | 14,410                                  | 14,410            | 753                              | 15,163                                    |  |  |
| -                       | -                               | 15,600                                  | 15,600            | 9,803                            | 25,403                                    |  |  |
| -                       | -                               | 40,304                                  | 40,304            | 67,310                           | 107,614                                   |  |  |
| -                       | 17,000                          | -                                       | 17,000            | 2,758                            | 19,758                                    |  |  |
| -                       | -                               | 9,185                                   | 9,185             | 1,209                            | 10,394                                    |  |  |
| -                       | -                               | 24,400                                  | 24,400            | 40,812                           | 65,212                                    |  |  |
| <b>\$ -</b>             | <b>\$ 17,000</b>                | <b>\$ 150,000</b>                       | <b>\$ 167,000</b> | <b>\$ 199,348</b>                | <b>\$ 366,348</b>                         |  |  |
| 120,147                 | -                               | (150,000)                               | (29,853)          | 29,853                           | -   |  |  |
| <b>\$ 120,147</b>       | <b>\$ 17,000</b>                | <b>\$ -</b>                             | <b>\$ 137,147</b> | <b>\$ 229,201</b>                | <b>\$ 366,348</b>                         |  |  |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

*Schedule 12*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|  | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---|
| <b>Shared Revenue</b>                  |   |
| <b>State</b>                           |   |
| Highway users tax                      | \$ 7,697,599                            |
| County program aid                     | 3,582,001                               |
| Market value credit                    | 4,528,665                               |
| PERA rate reimbursement                | 145,954                                 |
| Disparity reduction aid                | 48,907                                  |
| Police aid                             | 218,540                                 |
| State financing revenue                | 599,143                                 |
| Enhanced 911                           | 123,774                                 |
|  | <b>\$ 16,944,583</b>                    |
| <b>Total Shared Revenue</b>            |   |
| <b>Reimbursement for Services</b>      |   |
| <b>State</b>                           |   |
| Minnesota Department of Human Services | \$ 5,543,850                            |
|  | <b>\$ 5,543,850</b>                     |
| <b>Payments</b>                        |   |
| <b>Local</b>                           |   |
| Local contributions                    | \$ 2,238,113                            |
| Payments in lieu of taxes              | 75,272                                  |
| Other                                  | 7,161                                   |
|  | <b>\$ 2,320,546</b>                     |
| <b>Total Payments</b>                  |   |
| <b>Grants</b>                          |   |
| <b>State</b>                           |   |
| Minnesota Department/Board of          |   |
| Corrections                            | \$ 2,359,347                            |
| Public Safety                          | 27,368                                  |
| Transportation                         | 80,000                                  |
| Health                                 | 448,311                                 |
| Natural Resources                      | 84,249                                  |
| Human Services                         | 5,070,100                               |
| Soil and Water Resources               | 289,711                                 |
| Office of Environmental Assistance     | 176,176                                 |
| Peace Officers Board                   | 20,770                                  |
|  | <b>\$ 8,556,032</b>                     |
| <b>Total State</b>                     |   |

STEARNS COUNTY  
ST. CLOUD, MINNESOTA

*Schedule 12*  
*(Continued)*

SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2004

|  | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---|
| <b>Grants (Continued)</b>              |   |
| <b>Federal</b>                         |   |
| Department of/Agency                   |   |
| Agriculture                            | \$ 356,843                              |
| Justice                                | 140,692                                 |
| Transportation                         | 610,200                                 |
| Environmental Protection               | 500                                     |
| Energy                                 | 54,447                                  |
| Health and Human Services              | 3,258,278                               |
| Homeland Security                      | 3,003,193                               |
| <b>Total Federal</b>                   | <b>\$ 7,424,153</b>                     |
| <b>Total State and Federal Grants</b>  | <b>\$ 15,980,185</b>                    |
| <b>Total Intergovernmental Revenue</b> | <b>\$ 40,789,164</b>                    |

This page was left blank intentionally.



This page was left blank intentionally.



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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-6 Departmental Internal Accounting Controls

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

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

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

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

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

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

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

Client's Response:

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

*The County's intent is to continually monitor the internal controls and establish new controls in areas it is feasible and economically reasonable to do so.*

ITEM ARISING THIS YEAR

04-1 Jail Internal Controls

The jail operates and maintains three checking accounts. The Revolving account is used to account for fees collected from citizens for items such as finger printing, license checks, custody reports and visitor lockers. Pre-numbered receipts are used by the jail staff to record these fees. The money is deposited into the revolving account and turned over to the Auditor/Treasurer's office on a monthly basis.

The Resident II account is used to account for the inmates' money. An automated system is in place which tracks all monetary transactions related to the inmates. As inmates are checked into the jail, their cash is fed into a money machine which counts the cash and posts the balance to the inmate's account. The correctional officers are authorized to post transactions against the inmates' accounts for site charges such as booking fees, lockers, Huber Law, and medical co-pays. The system automatically keeps track of how much each inmate has and how much the jail has collected in site charges. Checks are written to inmates from the Resident II account by jail staff as they are released. The program coordinator writes checks out of the Resident II account to turn over site charges to the County Auditor/Treasurer's office on a monthly basis.

The third account maintained by the jail is the Resident account. This account is the old checking account used to track inmates' money. The account is no longer used, and the balance maintained is there only to cover outstanding checks.

During our audit, we noted the following regarding these accounts:

- Revolving and Resident Account - The Revolving account has very little activity in it other than for fees that are collected and turned over to the County Auditor/Treasurer at the end of the month. The Resident account has no monthly activity and is kept open only to cover the outstanding checks. Both the Revolving and Resident accounts contain outstanding checks dating as far back as 1992.

We recommend that both the Revolving and Resident accounts be closed and that the jail follow the state's policies and procedures for unclaimed property on the remaining outstanding checks. Any fees collected by the jail should be turned over directly to the County Auditor/Treasurer in a timely manner.

- Unauthorized Cash On Hand - As of the audit date, the jail had \$249.52 in a cash box within the jail offices. When questioned, no one could tell us how or why this money has been accumulating. A ledger was found with the cash box. It has not been kept up to date and did not balance to the amount of cash on hand. On occasion, jail personnel have used this cash as a petty cash fund.

We recommend the jail turn this money over to the County Auditor/Treasurer. If it is determined the jail needs a petty cash or change fund, it should be requested through the County Board.

- System Refunds - The jail uses an automated system to track inmates' money. All correctional officers have access to this system and can post site charge transactions against the inmates' accounts. On occasion, the officer may incorrectly post the transaction for the wrong amount, to the wrong inmate, or to the wrong site charge. When this occurs, a refund must be entered. Eight officers are currently authorized to enter refunds. When refunds are entered on the system, they automatically post to the proper inmate's account; however, they do not automatically post against the site charge they are refunding. Instead, a separate refund report is generated. At the end of the month, before site charges are remitted to the County, the Jail Programmer must first manually adjust all site charges for refunds issued during the month based on the refund report. Since this report provides very little information, it is often times difficult for the Jail Programmer to determine which site charges were refunded and why. We were

therefore unable to determine that refunds are being applied to the correct site charge and that the correct amounts are subsequently being turned over to the Auditor/Treasurer's office each month.

To ensure that the proper amount of site charges are being remitted to the County Auditor/Treasurer each month, we recommend that any refunds be accounted for in a manner that is more easily traceable to the site charges. This may be done manually by the officers posting the refunds or through system software changes. We further recommend jail staff take appropriate steps to decrease the number of refunds that need to be entered on the system.

Client's Response:

*As it applies to the Revolving and Resident Accounts as well as the Unauthorized Cash on Hand, we will initiate the State Auditor's Office recommendations as stated.*

*As it applies to the System Refunds, we will work with the software vendor to make necessary improvements to the system. We also will implement new procedures and policies to minimize the number of refunds and/or corrections.*

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

02-1 Annual Financial Report

Stearns County has a responsibility to prepare financial statements and publish them for its citizens and others. In previous years, the Office of the State Auditor (OSA) has helped the County to prepare its annual financial report. The annual financial report includes financial statements, related notes to the financial statements, and schedules.

Currently, Stearns County staff prepares a portion of the information for the financial statements. This includes summarizing cash transactions in the format for financial statement presentation in a trial balance, summarizing capital assets, and determining year-end receivables and payables. OSA staff provided nonaudit services for other information necessary for preparation of the annual financial report such as converting cash basis information to modified or full accrual, completing the trial balances, and preparing the financial statements, notes to the financial statements, and schedules.

Changes to *Government Auditing Standards*, issued by the Comptroller General of the United States, required the OSA to reassess the nonaudit services it provides to its audit clients. The primary effect of the change in *Government Auditing Standards* on the County is that the County needs to prepare the trial balances and financial statements for audit and make all policy decisions as they relate to financial reporting. The OSA may provide technical assistance in this process.

We recognize that the County has made progress in preparing information needed for the audit, and we acknowledge the County for its improvement in this area. We recommend that the County Board direct County staff to prepare the trial balances. We also recommend the County Board agree to ensure that staff assigned to prepare this information have a good understanding of generally accepted accounting principles for government and the time necessary to complete the information needed for the annual financial report by the date mutually agreed to with the OSA.

Client's Response:

*As stated, in previous years, the Office of the State Auditor did much of the work as it related to the preparation of the annual financial statements. Complying to the new GASB 34 reporting requirements implemented for financial year ending December 31, 2003, created even more work as it related to the preparation of the annual financial statements. County staff has done a greater percentage of the work on the financial statements as a whole since implementation of GASB 34. One of the problems in preparing the statements is becoming familiar with the software the State Auditor's Office uses in preparation of the financial statements. It is the intention of the County to internally prepare the financial statements with calendar year ending December 31, 2006. This is assuming that some assistance must be obtained from the State Auditor's Office in understanding the software they provide as it relates to compiling the annual financial statements.*

ITEM ARISING THIS YEAR

04-2 County Vehicles Used for Employee Commuting

State statute allows certain County employees to use County-owned vehicles to commute from home to work on a daily basis. During our payroll audit, we noted the County is not reporting this added benefit as income for these employees.

We recommend the County calculate the benefit derived from allowing these employees to use County-owned vehicles to commute to work each day, and either include this as income on their IRS form W-2, or issue them a separate form 1099.

Client's Response:

*We recognize this problem and will include the additional income in the employee's annual W-2. We don't believe it would be appropriate to issue a form 1099 since taxes other than just income may be payable on the includible income.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Fund Balance Deficit - Ditch Special Revenue Fund (96-10)**

One of the ten active drainage ditch systems in the Ditch Special Revenue Fund had a deficit unreserved, undesignated fund balance as of December 31, 2003, totaling \$22,504. Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system. This fund balance may be established for any drainage system, not to exceed 20 percent of the assessed benefits of a ditch system or \$40,000, whichever is larger.

**Resolution**

Although this ditch system continues to have a deficit unreserved, undesignated fund balance, the County has levied sufficiently to recover the costs and, as the assessments become available to be recognized as revenue, the fund deficit will be eliminated.

This page was left blank intentionally.

## **OTHER REQUIRED REPORTS**

This page was left blank intentionally.



PATRICIA ANDERSON  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Board of County Commissioners  
Stearns County

We have audited the financial statements of Stearns County as of and for the year ended December 31, 2004, and have issued our report thereon dated October 6, 2005. Those financial statements include the discretely presented component unit activities of the Housing and Redevelopment Authority (HRA) of Stearns County for the year ended June 30, 2004. Those financial statements were audited by 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. A separate report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* issued by other auditors is available for the HRA.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stearns 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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data

consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 96-6 and 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions indicated above is a material weakness.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

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

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

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

This report is intended solely for the information and use of the Board and management and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 6, 2005

This page was left blank intentionally.



STATE OF MINNESOTA  
OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Stearns County

Compliance

We have audited the compliance of Stearns County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Stearns County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Stearns County's financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Stearns County, a component unit, which received \$1,604,893 in federal awards for the year ended June 30, 2004. This amount is not included in the County's Schedule of Expenditures of Federal Awards for the year ended December 31, 2004. Our audit, described below, did not include the operations of the HRA of Stearns County because it had a separate Single Audit in accordance with OMB Circular A-133.

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

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

In our opinion, Stearns County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

#### Internal Control Over Compliance

The management of Stearns County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of Stearns County as of and for the year ended December 31, 2004, and have issued our report thereon dated October 6, 2005. We did not audit the financial statements of the HRA of Stearns County's discretely presented component unit for the year ended June 30, 2004. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 6, 2005

This page was left blank intentionally.

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

**Schedule 14**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Grant Program Title</b>   | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> |
|--|------------------------------------|---------------------|
| <b>U.S. Department of Agriculture</b>  |                                    |                     |
| Passed Through Minnesota Department of Health<br>Special Supplemental Nutrition Program for Women, Infants, and Children       | 10.557                             | \$ 327,442          |
| Passed Through Minnesota Department of Human Services<br>Matching Grants for Food Stamp Program                                | 10.561                             | 29,401              |
| <b>Total U.S. Department of Agriculture</b>  |                                    | <b>\$ 356,843</b>   |
| <b>U.S. Department of Justice</b>  |                                    |                     |
| Direct<br>State Criminal Alien Assistance Program  | 16.606                             | \$ 36,406           |
| Passed Through Minnesota Department of Employment and Economic<br>Development<br>Juvenile Accountability Incentive Block Grant | 16.523                             | 33,011              |
| Passed Through Minnesota Department of Public Safety<br>Crime Victim Assistance Grant  | 16.575                             | 9,479               |
| Byrne Formula Grant Program  | 16.579                             | 9,005               |
| Enforcing Underage Drinking Laws Program   | 16.727                             | 2,160               |
| Passed Through Minnesota Trial Courts<br>Drug Court Discretionary Grant  | 16.585                             | 50,631              |
| <b>Total U.S. Department of Justice</b>  |                                    | <b>\$ 140,692</b>   |
| <b>U.S. Department of Transportation</b>   |                                    |                     |
| Passed Through Minnesota Department of Transportation<br>Highway Planning and Construction                                     | 20.205                             | \$ 458,325          |
| Passed Through Minnesota Department of Natural Resources<br>Recreational Trails Program  | 20.219                             | 100,000             |
| Passed Through Minnesota Department of Public Safety<br>State and Community Highway Safety                                     | 20.600                             | 2,817               |
| Alcohol Traffic Safety and Drunk Driving Prevention Incentive  | 20.601                             | 49,058              |
| <b>Total U.S. Department of Transportation</b>   |                                    | <b>\$ 610,200</b>   |
| <b>U.S. Environmental Protection Agency</b>  |                                    |                     |
| Passed Through Minnesota Department of Health<br>State Indoor Radon Grant  | 66.032                             | <b>\$ 500</b>       |
| <b>U.S. Department of Energy</b>   |                                    |                     |
| Passed Through Stearns County Soil and Water Conservation District<br>Regional Biomass Energy Program                          | 81.079                             | <b>\$ 54,447</b>    |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***Schedule 14  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Grant Program Title</b>  | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> |
|---|------------------------------------|---------------------|
| <b>U.S. Department of Health and Human Services</b>   |                                    |                     |
| Direct  |                                    |                     |
| Substance Abuse and Mental Health Services Access to Recovery   | 93.275                             | \$ 104,562          |
| Passed Through West Central Area Agency on Aging<br>Special Programs for the Aging - Title IIIB               | 93.044                             | 17,968              |
| Passed Through Minnesota Department of Health<br>Immunization Grant   | 93.268                             | 38,175              |
| Centers for Disease Control and Prevention - Investigations and<br>Technical Assistance                       | 93.283                             | 210,926             |
| Temporary Assistance for Needy Families   | 93.558                             | 79,805              |
| Maternal and Child Health Services Block Grant  | 93.994                             | 146,287             |
| Passed Through Minnesota Department of Human Services<br>Promoting Safe and Stable Families                   | 93.556                             | 14,908              |
| Temporary Assistance for Needy Families   | 93.558                             | 680,740             |
| Child Care Mandatory and Matching Funds of the Child Care<br>and Development Fund                             | 93.596                             | 884,481             |
| Children's Justice Grants to States   | 93.643                             | 4,000               |
| Foster Care Title IV-E  | 93.658                             | 190,389             |
| Social Services Block Grant Title XX  | 93.667                             | 772,924             |
| Chafee Foster Care Independence Program   | 93.674                             | 17,828              |
| Block Grants for Community Mental Health Services   | 93.958                             | 23,043              |
| Block Grants for Prevention and Treatment of Substance Abuse  | 93.959                             | 72,242              |
| <b>Total U.S. Department of Health and Human Services</b>   |                                    | <b>\$ 3,258,278</b> |
| <b>U.S. Department of Homeland Security</b>   |                                    |                     |
| Passed Through Minnesota Department of Public Safety<br>State Domestic Preparedness Equipment Support Program | 97.004                             | \$ 2,801,368        |
| Public Assistance Grant   | 97.036                             | 105                 |
| Hazardous Mitigation Grant  | 97.039                             | 80,175              |
| Emergency Management Performance Grant  | 97.042                             | 60,810              |
| State and Local all Hazards Emergency Operations Planning   | 97.051                             | 9,229               |

**STEARNS COUNTY  
ST. CLOUD, MINNESOTA**

***Schedule 14  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Grant Program Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> |
|--|------------------------------------|---------------------|
| <b>U.S. Department of Homeland Security</b>                            |                                    |                     |
| Passed Through Minnesota Department of Public Safety (Continued)       |                                    |                     |
| Citizen Corps  | 97.053                             | 42,564              |
| Passed Through Minnesota Department of Natural Resources               |                                    |                     |
| Boating Safety Financial Assistance                                    | 97.012                             | 8,942               |
| <b>Total U.S. Department of Homeland Security</b>                      |                                    | <b>\$ 3,003,193</b> |
| <b>Total Federal Awards</b>  |                                    | <b>\$ 7,424,153</b> |

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Stearns County. The County's reporting entity is defined in Note 1 to the basic financial statements. This schedule does not include \$1,604,893 of federal awards expended by the Housing and Redevelopment Authority of Stearns County, a component unit.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. During 2004, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.