

**ISANTI**



**COUNTY**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

PREPARED BY:

ISANTI COUNTY AUDITOR-TREASURER DEPARTMENT

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**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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CAMBRIDGE, MINNESOTA**

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## **INTRODUCTORY SECTION**

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**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

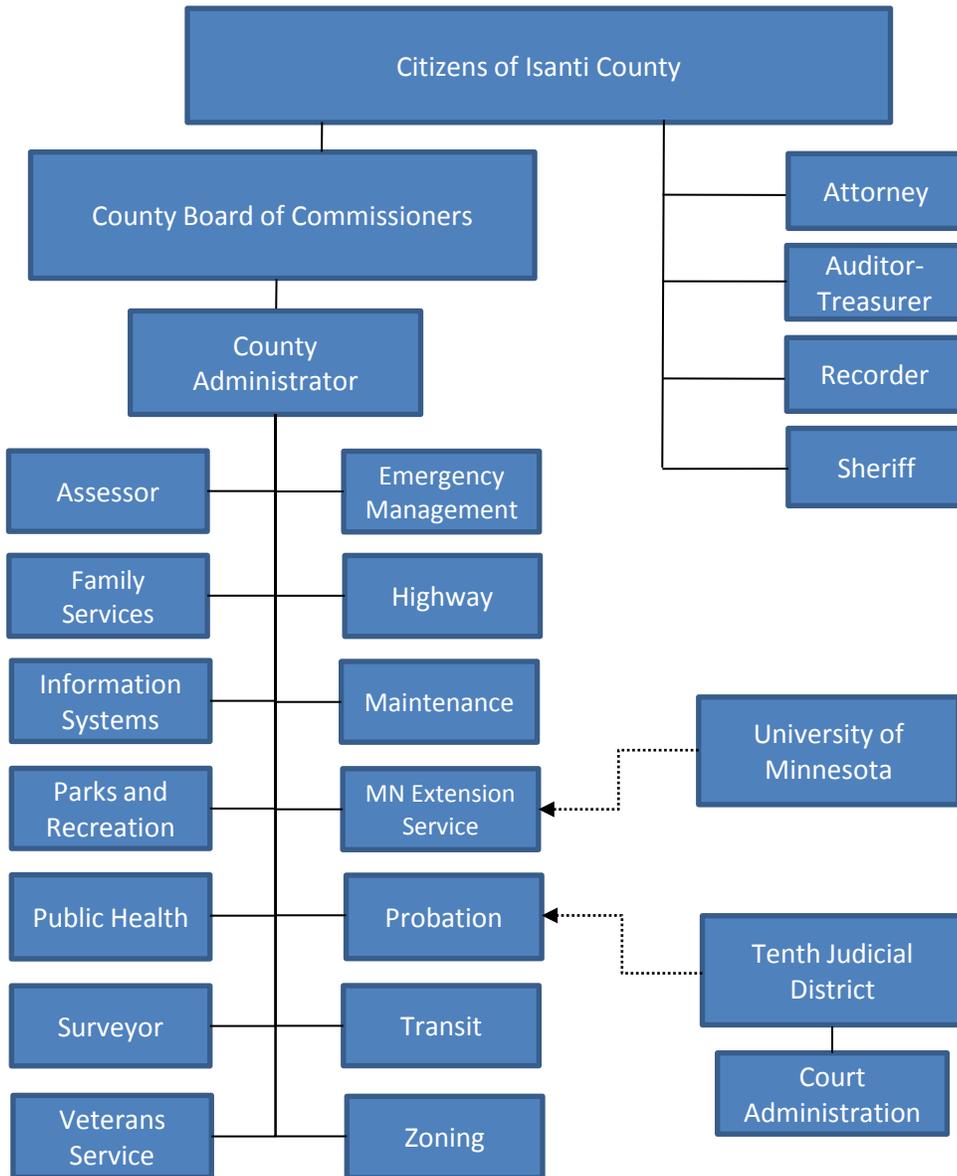
**PRINCIPAL OFFICIALS  
DECEMBER 31, 2010**

Office	Name	Term Expires
<b>Elected</b>		
<b>Commissioners</b>		
District 1	George I. Larson	January 2011
District 2	Larry L. Southerland	January 2013
District 3	Alan Duff	January 2013
District 4	Kurt Daudt	January 2013
District 5	Susan Morris**	January 2011
Attorney	Jeffrey R. Edblad	January 2011
Auditor-Treasurer	Terry F. Treichel	January 2011
Recorder/Registrar of Titles	Karen D. Anderson	January 2011
Sheriff	Russ Monson	January 2011
<b>Appointed</b>		
Assessor	Michelle Moen	December 2012
Building Facilities Supervisor	Jeff Benting	Indefinite
County Administrator	Kevin VanHooser	Indefinite
Court Administrator	Monica Tschumper	Indefinite
Emergency Management Director	Mari DeLage Bostrom	Indefinite
Family Services Director	Penny Messer	Indefinite
Information Services Manager	Kristy Anderson	Indefinite
Highway Engineer	Richard Heilman	May 2014
Parks and Recreation Director	Barry Wendorf	Indefinite
Probation Director	Tim MacMillan	Indefinite
Public Health Director	Kathy Minkler	Indefinite
Surveyor	Don E. Hansen	February 2011
Transit System Director	Craig Rempp	Indefinite
Veterans Service Director	Jim Rostberg	February 2014
Zoning Administrator	Tim Anderson	Indefinite

\*\* - Chair of the Board of Commissioners

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

**ORGANIZATIONAL CHART  
DECEMBER 31, 2010**





## **Isanti County Auditor-Treasurer**

**Terry F. Treichel**

Phone (763) 689-1644

(763) 689-1781

Fax (763) 689-8210

Government Center

555 18<sup>th</sup> Avenue Southwest

Cambridge, Minnesota 55008-9386

**DATE:** June 20, 2011

**TO:** The Citizens of Isanti County  
The Board of County Commissioners

**SUBJECT:** 2010 Comprehensive Annual Financial Report

This Comprehensive Annual Financial Report of Isanti County is submitted for the fiscal year ended December 31, 2010. This report was prepared by the Auditor-Treasurer department with assistance from various other County departments. The responsibility for the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with County management. This report conforms to generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Isanti County's MD&A can be found immediately following the independent auditor's report.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations."

Copies of this report will be sent to elected officials, county management, bond rating agencies, financial institutions, government agencies, and others that have expressed an interest in the County's financial affairs.

### **GENERAL INFORMATION**

Isanti County is located in East Central Minnesota approximately 40 miles north of the Minneapolis-St. Paul metropolitan area. The County encompasses an area of 440 square miles and contains all or a significant portion of three cities (Cambridge, Isanti, and Braham) and 13 townships. The County seat is Cambridge. According to the 2010 U.S. Census data, the County

has a population of 37,816 and is the 26<sup>th</sup> most populous county in Minnesota. The County was organized on February 13, 1857, and is governed by the general laws of the State of Minnesota.

The Isanti County Board of Commissioners consists of five commissioners elected from five districts within the County. All commissioners serve overlapping four-year terms of office. Each member of the board serves on various committees.

In January 2009, the County Board created the appointed position of County Administrator. The County Administrator carries out the policies and ordinances of the County Board, oversees the day-to-day operations of the County, prepares the County's annual budget, and supervises the County's non-elected department heads.

The County's functions and employees are divided among 18 departments. Four of these departments (Attorney, Auditor-Treasurer, Recorder, and Sheriff) are currently managed by elected department heads. The remaining department heads are appointed by the County Board with the exception of the Probation Director, who is appointed by the State of Minnesota Tenth Judicial District, and the Regional Director of the University of Minnesota Extension Service, who is appointed by the University of Minnesota.

The County provides a full range of services. These services include health and social service programs, tax assessment and collection, judicial, law enforcement and jail services, the construction and maintenance of highways and infrastructure, parks and recreational areas, planning and zoning, and general administrative services.

## ECONOMIC CONDITION AND OUTLOOK

Isanti County continues to have a positive economic condition and outlook. The County has been one of the fastest growing counties in Minnesota with an estimated population increase of 20.9% over the past decade. This population growth was driven by the availability of affordable land and low housing costs as well as the close proximity to the Minneapolis-St. Paul metropolitan area.

While the rate of growth has slowed over the past couple of years in Isanti County due to various economic factors, the County continues to serve as a significant trade center for the entire region north of the Minneapolis-St. Paul metropolitan area. This status as a regional economic hub is evidenced by the dramatic increase in large retail properties over the past decade. As an example, a 124,000 square foot Lowe's Home Improvement Store opened in 2009 and a Kohl's department store opened during 2010.

Of course, the County's economy is not immune to the numerous economic challenges facing the nation. For example, the County has experienced some of the highest mortgage foreclosure rates in the state over the past two years. In addition, the County's unemployment rate has been higher than both state and national averages for much of the last four years. A further concern is that the County's tax base is largely agricultural and residential in nature with relatively little industry. As a result, a significant portion of the County's residents commute outside of the County for work.

In response to these challenges, the County has undertaken various initiatives to help ensure the area's long-term economic health. The Isanti County Economic Development Authority exists to encourage and financially support economic development, contribute to diversification of the tax base, and increase employment opportunities in the County. The County's two largest cities, Cambridge and Isanti, also have active economic development programs.

The presence of the Burlington Northern – Santa Fe railroad is another positive factor for the County's future economic development. The railroad is viewed as a key component in attracting additional industrial business to the County. Further, the County could substantially benefit from a proposed passenger rail line connecting the Minneapolis-St. Paul and Duluth-Superior metropolitan areas. The project, which is currently in the preliminary planning stages, includes a proposed station located within the County.

## FINANCIAL INFORMATION

Isanti County's strong financial management continues to provide the citizens of the County with several initiatives designed to enhance its strong financial position: (1) investing funds not immediately needed for expenditures to maximize non-tax revenue; (2) allocating County resources to those areas that meet community needs as expressed by the County Board of Commissioners; (3) using advice and recommendations from the general public to improve productivity in the delivery of County services.

The County has discussed developing a long-term financial plan to guide its financial decisions. However, a formal plan does not yet exist. The preliminary step of revising and updating the County's five-year capital improvement plan is expected to begin in 2011.

## BUDGETARY CONTROL

Budgetary control is maintained at the department level and is subject to periodic review by the County Board. Significant open encumbrances are reported as reservations of fund balance.

In addition, the County maintains other budgetary controls. The objective of these budgetary controls is to ensure compliance with provisions embodied in the annual appropriated budget approved by the County Board. Activities of the General Fund, the Human Services Special Revenue Fund, the Road and Bridge Special Revenue Fund and the Debt Service Fund are included in the annual appropriated budget. Project length financial plans are adopted for the Capital Project Fund. According to state laws, County governments are required to adopt budgets but are not required to use them as legal limits.

## INTERNAL CONTROL

The County's system of internal control is supported by policies and procedures that are continually reviewed, evaluated, and modified to meet current needs.

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide

reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgements by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## SINGLE AUDIT

As a recipient of federal, state, and local financial assistance, the County is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic review by management.

The Office of Management and Budget (OMB) Circular A-133 sets forth the audit requirement for local governments receiving federal awards. It provides for a single independent audit of the financial operations including compliance with certain provisions of federal laws and regulations. The requirements have been established to ensure audits are made on an organizational-wide basis rather than a grant-by-grant basis.

## INDEPENDENT AUDIT

Minnesota state statutes require an annual audit of the books of account, financial records, and transactions of the County by the Office of the State Auditor. In addition to meeting the requirements set forth in state statutes, the audit is designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB circular A-133. These requirements have been complied with and the independent auditor's report has been included in this report.

The Office of the State Auditor will issue management and compliance letters covering the review made as part of its audit of the County's system of internal control and compliance with applicable legal provisions. The management and compliance letters will not modify or affect, in any way, their report on the financial statements.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Isanti County for its comprehensive annual financial report for the fiscal year ended December 31, 2009. This was the second year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently

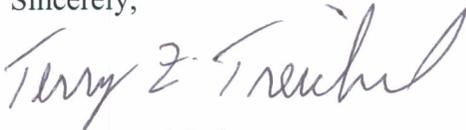
organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### ACKNOWLEDGEMENTS

Finally, I wish to acknowledge the professional contribution and hard work put forth by the entire staff in the Auditor-Treasurer's office throughout the year and during the preparation of this report. A special thank you is extended to the accounting staff in the Family Services, Highway, and Public Health departments for their contributions to this report. Finally, I especially would like to thank the County Board of Commissioners for their interest and support in planning and conducting the County's financial activities in a responsible and progressive manner. The County's solid financial status is a tribute to that involvement.

Sincerely,

A handwritten signature in cursive script that reads "Terry F. Treichel". The signature is written in dark ink and is positioned above the printed name.

Terry F. Treichel  
Isanti County Auditor-Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Isanti County  
Minnesota

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## **FINANCIAL SECTION**

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Isanti County

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isanti County, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Isanti County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isanti County as of December 31, 2010, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting

Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Isanti County's basic financial statements as a whole. The introductory section, the combining and individual fund statements and schedules, the supplementary information, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules and the supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2011, on our consideration of Isanti County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



REBECCA OTTO  
STATE AUDITOR



GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

June 10, 2011

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2010  
(Unaudited)**

As management of Isanti County, we offer readers of the County's financial statements this narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, which can be found in the introductory section of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of Isanti County exceeded its liabilities by \$71,990,247 at the end of 2010. Of this amount, \$9,929,622 (13.8%) is available to finance the County's day-to-day operations and ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$1,639,634 during 2010. This is an increase of 2.3% from the previous year.
- The governmental funds' combined fund balances increased \$216,581 in 2010 primarily due to the issuance of capital notes that were not spent prior to the end of the year.
- The County's capital assets increased \$2,737,559 (4.1%) as the County completed construction projects relating to County roads and finished the extensive remodeling of the Isanti County Government Center.
- The County's total debt decreased \$125,561 (1.2%) due to continued debt service payments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Isanti County's basic financial statements. The County's basic financial statements consist of three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

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

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

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

The County's government-wide financial statements report functions of the County principally supported by taxes and intergovernmental revenue. These functions are collectively referred to as governmental activities. The governmental activities of the County include general government, public safety, highways and streets, human services, health, culture and recreation, conservation of natural resources, and economic development.

The government-wide financial statements include not only Isanti County itself (known as the primary government), but also legally separate entities known as the Green Lake Improvement District and the Long Lake Improvement District. Although legally separate, these entities are fiscally dependent on Isanti County. Financial information for these discretely presented component units is reported separately from the financial information presented herein for the primary government itself.

The government-wide statements can be found on pages 28 and 30 of this report.

### **Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar

information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance are followed by a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Isanti County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance for the five major funds: General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Debt Service Fund, and Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 32 through 38 of this report.

Fiduciary Funds are used to account for assets held for the benefit of external parties. Isanti County's fiduciary funds consist of three agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the results of operations. Data from the agency funds are combined into a single, aggregated presentation. In addition, the agency funds are not reflected in the government-wide financial statements because those resources are not available to support the County's own programs.

The basic fiduciary fund financial statement can be found on page 39 of this report.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 through 84 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on the budgets for the General Fund, Human Services Special Revenue Fund, and the Road and Bridge Special Revenue Fund. Required supplementary information can be found on pages 87 through 94 of this report.

This report also presents other supplementary information including the combining statements and schedules as well as information on the County's intergovernmental revenue. This other supplementary information can be found on pages 97 through 112 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the change in net asset amounts may serve as a useful indicator of a government's financial position over time. Isanti County's assets exceeded liabilities by \$71,990,247 at the close of 2010.

### Isanti County's Net Assets

	Governmental Activities	
	2010	2009
Current and other assets	\$ 18,407,795	\$ 18,757,792
Capital assets	69,244,167	66,506,608
Total Assets	\$ 87,651,962	\$ 85,264,400
Long-term liabilities	\$ 12,919,208	\$ 12,689,789
Other liabilities	2,742,507	2,223,998
Total Liabilities	\$ 15,661,715	\$ 14,913,787
Net Assets		
Invested in capital assets, net of related debt	\$ 59,519,487	\$ 56,848,424
Restricted	2,541,138	2,644,040
Unrestricted	9,929,622	10,858,149
Total Net Assets	\$ 71,990,247	\$ 70,350,613

The largest portion of Isanti County's net assets, \$59,519,487 (82.7% of total net assets), reflects the County's investment in capital assets (e.g. land, buildings, infrastructure, and equipment) less any outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net asset amount of \$2,541,138 (3.5%) represents resources whose use is restricted by external requirements such as debt covenants and legislation. The unrestricted net asset amount of \$9,929,622 (13.8%) may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

During the current fiscal year, Isanti County's net assets increased by \$1,639,634. This represents a 2.3% increase from the previous year's net assets. This increase is primarily due to the completion of highway construction projects, which resulted in increases to infrastructure

capital assets. Other factors that led to the increase include an increase in property tax revenue and the receipt of additional capital grant revenue.

### Isanti County's Change in Net Assets

	Governmental Activities	
	2010	2009
Revenues		
Program revenues		
Fees, fines, and charges	\$ 3,030,567	\$ 3,292,460
Operating grants and contributions	11,773,796	11,633,272
Capital grants and contributions	1,814,223	2,649,333
General revenues		
Property taxes	14,375,278	14,260,397
Other taxes	120,607	123,641
Grants not restricted to specific programs	2,571,256	3,030,663
Investment earnings	166,167	273,722
Total Revenues	\$ 33,851,894	\$ 35,263,488
Expenses		
General government	\$ 6,767,121	\$ 6,591,869
Public safety	7,142,537	7,094,295
Highways and streets	4,106,582	3,299,519
Human services	10,594,462	11,084,262
Health	1,250,008	1,216,814
Culture and recreation	645,831	643,483
Conservation of natural resources	199,123	235,756
Economic development	1,141,796	1,167,543
Interest	364,800	394,573
Total Expenses	\$ 32,212,260	\$ 31,728,114
Increase in Net Assets	\$ 1,639,634	\$ 3,535,374

In general, the increase in the County's total expenses reflects the growth in the demand for the County's services. The governmental function experiencing the largest percentage increase in expenses was highways and streets, which increased 24.5% from 2009 to 2010.

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

#### **Governmental Funds**

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the

County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$12,943,412. This is an increase of \$216,581 (1.7%) in comparison with the prior year. Unreserved fund balance of \$10,401,243 is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Isanti County. At the end of the current fiscal year, it has an unreserved fund balance \$4,004,329, while total fund balance increased to \$5,202,071. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total expenditures. The General Fund unreserved balance represents 24.6% of total General Fund expenditures, while total fund balance represents 31.9% of the same amount.

The General Fund's total fund balance increased by \$864,236 (19.9%) during 2010. This increase is largely the result of a \$1,200,000 transfer from the Human Services Special Revenue Fund. For several years, the County had levied additional property taxes for human service programs in anticipation of reductions in federal and state funding. The actual funding reductions turned out to be less severe than projected, which led to a significant surplus in the Human Services Special Revenue Fund. The County transferred this excess fund balance to the General Fund to finance other programs and allow the greatest future flexibility in the use of the funds.

Aside from the transfer, the General Fund's expenditures exceeded revenues by \$337,972. A sizable factor in this difference was the "unallotment" of county program aid and market value credits by the State of Minnesota. As a result of this unallotment action, the state withheld \$733,395 of the County's promised aid and credits to balance the state's budget. Of that amount, approximately \$455,000 would have been allocated to the County's General Fund and used to offset the cost of critical services such as public safety.

Total expenditures in the General Fund increased 2.4% from the previous year. Much of this increase is attributed to a general rise in basic operating costs such as labor and supplies. For example, the County's employee health insurance expenditures in the General Fund were \$117,419 (10.6%) greater in 2010 than in 2009. Similarly, fuel expenditures increased \$48,358 (35.0%) from the previous year.

In addition to its ongoing operating costs, the County expended \$399,579 from the General Fund on capital acquisitions such as sheriff vehicles, computer software and equipment, and a backup power system. These acquisitions should reduce future operating costs as they replaced older equipment that became expensive to maintain. Most of the capital acquisitions were funded by either reserved fund balance or federal grants.

The Road & Bridge Special Revenue Fund's unreserved fund balance of \$288,643 at year end represents 4.2% of the fund's annual expenditures. In 2010, the total fund balance increased \$111,762 (7.8%). This increase is largely attributed to a \$200,000 transfer of bond proceeds from the Capital Project Fund to partially fund two road projects.

The Road and Bridge Special Revenue Fund also experienced a substantial increase in construction expenditures during 2010. In addition to the County's ongoing road projects, part of this increase was attributed to the \$768,391 in construction costs for a recreational trail between the cities of Cambridge and Isanti. These increased expenditures were fully funded by federal grants.

The Human Services Special Revenue Fund's unreserved fund balance of \$4,525,482 at year end represents 42.1% of the fund's annual expenditures. In 2010, the total fund balance decreased \$622,557 (12.1%) due to the \$1,200,000 transfer to the General Fund.

The fund's revenues actually exceeded its expenditures by \$577,443. This positive net difference in revenues and expenditures was partly due to \$213,562 in additional charges for services revenue from insurance companies for case management services. These revenues were previously billed and collected by the State of Minnesota. In addition, social services expenditures were significantly under budget due to a number of cost-saving mechanisms such as delays in filling vacant positions.

The Debt Service Fund had a total fund balance of \$1,418,813 at year end. In 2010, the fund balance increased \$28,447 (2.1%). This minor increase is typical as the County is required by statute to levy 105% of its debt service requirements to compensate for potential uncollected property taxes.

The Capital Projects Fund had a total fund balance of \$224,202 at year end. In 2010, the fund balance decreased \$165,513 due to the expenditure of bond proceeds for the renovation of the Isanti County Government Center. The County also transferred \$200,000 of bond proceeds from the Capital Projects Fund to the Road and Bridge Special Revenue Fund to fund highway projects. These outflows from the Capital Projects Fund were partially offset by the receipt of \$680,000 in bond proceeds from the General Obligation Capital Notes, Series 2010A. The notes were issued to finance an 800 MHz radio communication system.

### **General Fund Budgetary Highlights**

During 2010, there was a \$348,363 increase in appropriations between the original and final amended budget. The largest increase in appropriations was made to the Sheriff department for the purchase of radio equipment, computer software, and squad car equipment. The County received additional grant and contribution revenue for all of these purchases, which resulted in an increase to the revenue budget of \$256,506. Other increases in appropriations represented prior years' unspent funds carried over to fund various projects in 2010 for the Parks, Veterans Services, Emergency Management, Transit, and Public Health departments.

The General Fund's actual revenues fell short of budgeted amounts by \$542,025 in 2010. This is primarily due to a number of factors outside of the County's control. For example, the continued decline in the housing market had a significant negative effect on the County's related revenues such as building permits and mortgage registration taxes. Also, the County's actual interest earnings were \$133,833 less than budgeted amounts as the result of continued low interest rates. Finally, the aforementioned loss of market value credit revenue from the State of Minnesota was not anticipated when the initial budget was adopted.

However, the County managed these lower than anticipated revenue amounts by taking a conservative approach to its expenditures. For 2010, the General Fund's actual expenditures were \$462,601 less than budgeted amounts. In order to remain under budget, the County implemented a soft hiring freeze that delays filling vacant positions until sufficient salary savings are achieved. The County also continued a voluntary employee furlough program to save additional funds.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

Isanti County's investment in capital assets for its governmental activities at December 31, 2010, totaled \$69,244,167 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. The County's investment in capital assets increased \$2,737,559 (4.1%) from the previous year.

#### Isanti County's Capital Assets (net of depreciation)

	Governmental Activities	
	2010	2009
Land	\$ 4,556,338	\$ 4,484,435
Buildings	13,700,651	13,332,130
Improvements other than buildings	214,939	228,110
Machinery, furniture, and equipment	2,605,443	2,833,844
Infrastructure	47,548,779	44,949,804
Construction in progress	618,017	678,285
Total	\$ 69,244,167	\$ 66,506,608

In 2010, the major capital asset events included the following:

- The County completed an extensive remodeling of the Isanti County Government Center in 2010. The remodeling provides additional office space for several departments,

accommodates future growth, and improves service to the public. The County has spent \$830,869 on the project.

- The County completed road construction projects at a cost of \$3,868,640, including related right-of-way purchases.
- The County began the acquisition and installation of an 800 MHz radio system. Once completed in 2011, the system will greatly improve public safety communication throughout the County. As of December 31, 2010, the County had spent \$458,341 on the project.

Additional information on the County’s capital assets can be found in Note 3.A.3 to the financial statements on pages 59 and 60 of this report.

**Long-Term Debt**

At the end of 2010, Isanti County had total outstanding bonded debt of \$10,122,435 which was backed by the full faith, credit, and taxing powers of the County.

**Isanti County’s Outstanding Debt**

	Governmental Activities	
	2010	2009
General obligation bonds and notes, net	\$ 10,122,435	\$ 10,247,996

The County’s outstanding debt decreased \$125,561 (1.2%) during 2010. The major debt-related transactions included the following:

- The County issued \$680,000 in capital improvement notes to finance the acquisition and installation costs for an 800 MHz radio system.
- The County continued to make debt service payments on its other general obligation bonds. The debt service payments included \$805,000 in principal and \$372,340 in interest.

The County currently maintains an “Aa3” rating from Moody’s Investor Service for its general obligation debt.

Minnesota state statutes limit the amount of debt a county may levy to three percent of its total taxable market value. At the end of the current fiscal year, Isanti County’s ratio of debt to taxable market value was significantly below this limit.

Additional information on the County’s long-term debt can be found in Note 3.C.5 to the financial statements on pages 68 through 70 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The County's population growth has slowed significantly due to a number of economic factors outside of the County's control. According to the most recent census data, the County's population is 37,816 in 2010.
- As indicated previously, the State of Minnesota is dealing with a significant budget deficit over the next several years. In 2008 and 2009, the state withheld \$483,077 of the County's promised program aid. In 2010, as mentioned previously, the state withheld an additional \$733,395 in county program aid and market value credits. Further cuts to county program aid and credits are anticipated in the future.
- During its 2008 legislative session, the state legislature imposed property tax levy limitations on all counties. These limitations significantly restrict the amount a local government can increase its property tax levy from the previous year. These levy limitations became effective for taxes payable in 2009 and remained in effect for taxes payable in 2011.
- The County's average unemployment rate for 2010 was 8.8%, which is a decrease from the rate of 10.3% a year ago. This compares unfavorably to the state's average unemployment rate of 7.3%, but is an improvement on the national average rate of 9.6%.

All of these factors were considered in preparing the County's budget for the 2011 fiscal year.

On December 28, 2010, the Isanti County Board of Commissioners approved the 2011 budget in the amount of \$34,794,697. This budget included a net property tax levy of \$15,476,446, which represents an increase of 0.7% from the previous year's levy. The levy increase was equivalent to the estimated growth in the County's tax base due to new construction.

The 2011 budget reflects a slight increase in total expenditures, particularly in capital outlay. This increase in capital outlay expenditures is necessary to replace outdated, inefficient equipment and should produce long-term savings by reducing maintenance and repair costs. The County also anticipates using \$441,911 in available fund balance to offset budgeted expenditures in excess of projected revenues. However, the County will continue to pursue cost-saving measures, such as mandatory furloughs and wage freezes, to minimize the amount of fund balance used in 2011.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Isanti County Auditor-Treasurer, Isanti County Government Center, 555 - 18th Avenue S.W., Cambridge, Minnesota 55008. The telephone number is (763) 689-1644.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

***EXHIBIT 1***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

<u>Assets</u>	<u>Primary Government Governmental Activities</u>	<u>Discretely Presented Component Units</u>
Cash and pooled investments	\$ 12,902,421	\$ 137,795
Petty cash and change funds	3,900	-
Departmental cash	25,635	-
Taxes receivable		
Prior - net	927,315	177
Special assessments receivable		
Prior - net	-	3,781
Noncurrent - net	2,518	-
Accounts receivable - net	165,920	-
Accrued interest receivable	30,509	-
Due from other governments	3,040,478	-
Leases receivable		
Due within one year - net	63,661	-
Due in more than one year - net	204,304	-
Loans receivable		
Due within one year - net	35,314	-
Due in more than one year - net	86,315	-
Inventories	626,305	-
Prepaid items	153,181	1,854
Deferred charges	140,019	-
Capital assets		
Non-depreciable	5,174,355	-
Depreciable - net of accumulated depreciation	64,069,812	43,584
<b>Total Assets</b>	<b>\$ 87,651,962</b>	<b>\$ 187,191</b>

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

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	<b>Primary Government Governmental Activities</b>	<b>Discretely Presented Component Units</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 510,772	\$ -
Salaries payable	579,329	-
Due to other governments	334,637	-
Contracts payable	756,857	-
Accrued interest payable	151,751	-
Deposits held for others	5,173	-
Unearned revenue	403,988	-
Long-term liabilities		
Due within one year	1,630,254	-
Due in more than one year	11,288,954	-
	<b>\$ 15,661,715</b>	<b>\$ -</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 59,519,487	\$ 43,584
Restricted for		
General government	927,172	-
Public safety	122,703	-
Debt service	1,267,062	-
Capital projects	224,201	-
Unrestricted	9,929,622	143,607
	<b>\$ 71,990,247</b>	<b>\$ 187,191</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

*EXHIBIT 2*

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Discretely Presented Component Units</u>
<b><u>Functions/Programs</u></b>						
<b>Primary Government</b>						
<b>Governmental activities</b>						
General government	\$ 6,767,121	\$ 1,290,686	\$ 505,901	\$ -	\$ (4,970,534)	
Public safety	7,142,537	547,551	817,706	36,990	(5,740,290)	
Highways and streets	4,106,582	110,750	2,101,611	1,777,233	(116,988)	
Human services	10,594,462	788,526	6,426,247	-	(3,379,689)	
Health	1,250,008	127,649	1,006,156	-	(116,203)	
Culture and recreation	645,831	2,346	84,476	-	(559,009)	
Conservation of natural resources	199,123	80	8,400	-	(190,643)	
Economic development	1,141,796	162,979	823,299	-	(155,518)	
Interest	364,800	-	-	-	(364,800)	
<b>Total primary government</b>	<b>\$ 32,212,260</b>	<b>\$ 3,030,567</b>	<b>\$ 11,773,796</b>	<b>\$ 1,814,223</b>	<b>\$ (15,593,674)</b>	
<b>Discretely Presented Component Units</b>	<b>\$ 56,354</b>	<b>\$ 57,873</b>	<b>\$ 20,000</b>	<b>\$ -</b>		<b>\$ 21,519</b>
<b>General Revenues</b>						
Property taxes					\$ 14,375,278	\$ 7,757
Mortgage registry and deed tax					20,400	-
Payments in lieu of tax					100,207	-
Grants and contributions not restricted to specific programs					2,571,256	111
Investment income					166,167	-
<b>Total general revenues</b>					<b>\$ 17,233,308</b>	<b>\$ 7,868</b>
<b>Change in Net Assets</b>					<b>\$ 1,639,634</b>	<b>\$ 29,387</b>
<b>Net Assets - Beginning</b>					<b>70,350,613</b>	<b>157,804</b>
<b>Net Assets - Ending</b>					<b>\$ 71,990,247</b>	<b>\$ 187,191</b>

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

## **FUND FINANCIAL STATEMENTS**

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	General	Road and Bridge	Human Services
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 5,403,057	\$ 1,259,281	\$ 4,422,841
Petty cash and change funds	3,900	-	-
Departmental cash	25,635	-	-
Taxes receivable			
Prior - net	525,312	110,539	225,038
Special assessments receivable			
Noncurrent - net	2,518	-	-
Accounts receivable - net	106,933	-	58,987
Accrued interest receivable	29,041	-	-
Due from other governments	494,261	1,633,765	875,191
Due from other funds	71,963	7,332	2,124
Leases receivable - net	267,965	-	-
Loans receivable - net	-	-	-
Inventories	-	626,305	-
Prepaid items	144,167	1,641	7,373
	<b>\$ 7,074,752</b>	<b>\$ 3,638,863</b>	<b>\$ 5,591,554</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 237,584	\$ 75,381	\$ 177,761
Salaries payable	386,292	53,549	139,488
Contracts payable	-	661,976	-
Due to other funds	5,994	3,894	56,456
Due to other governments	96,647	11,491	187,654
Deferred revenue - unavailable	741,976	1,279,559	497,340
Deferred revenue - unearned	403,988	-	-
Deposits held for others	-	5,173	-
	<b>\$ 1,872,481</b>	<b>\$ 2,091,023</b>	<b>\$ 1,058,699</b>
<b>Fund Balances</b>			
Reserved in (Note 3.D.):			
General fund	\$ 1,197,942	\$ -	\$ -
Special revenue fund	-	1,259,197	7,373
Capital projects fund	-	-	-
Unreserved, designated in (Note 3.D.):			
General fund	929,492	-	-
Unreserved, undesignated	3,074,837	288,643	4,525,482
Unreserved, reported in nonmajor Special revenue funds	-	-	-
	<b>\$ 5,202,271</b>	<b>\$ 1,547,840</b>	<b>\$ 4,532,855</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,074,752</b>	<b>\$ 3,638,863</b>	<b>\$ 5,591,554</b>

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

**EXHIBIT 3**

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,408,597	\$ 339,129	\$ 69,516	\$ 12,902,421
-	-	-	3,900
-	-	-	25,635
66,426	-	-	927,315
-	-	-	2,518
-	-	-	165,920
-	-	1,468	30,509
-	36,990	271	3,040,478
804	-	-	82,223
-	-	-	267,965
-	-	121,629	121,629
-	-	-	626,305
-	-	-	153,181
<u>\$ 1,475,827</u>	<u>\$ 376,119</u>	<u>\$ 192,884</u>	<u>\$ 18,349,999</u>
\$ -	\$ 20,046	\$ -	\$ 510,772
-	-	-	579,329
-	94,881	-	756,857
-	-	15,879	82,223
-	-	38,845	334,637
57,014	36,990	120,729	2,733,608
-	-	-	403,988
-	-	-	5,173
<u>\$ 57,014</u>	<u>\$ 151,917</u>	<u>\$ 175,453</u>	<u>\$ 5,406,587</u>
\$ -	\$ -	\$ -	\$ 1,197,942
-	-	-	1,266,570
-	77,657	-	77,657
-	-	-	929,492
1,418,813	146,545	-	9,454,320
-	-	17,431	17,431
<u>\$ 1,418,813</u>	<u>\$ 224,202</u>	<u>\$ 17,431</u>	<u>\$ 12,943,412</u>
<u>\$ 1,475,827</u>	<u>\$ 376,119</u>	<u>\$ 192,884</u>	<u>\$ 18,349,999</u>

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**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

*EXHIBIT 4*

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2010**

<b>Fund Balances - Total Governmental Funds (Exhibit 3)</b>	<b>\$</b>	<b>12,943,412</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.		69,244,167
Deferred charges are not available to pay current expenditures and, therefore, are not reported in the funds.		140,019
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in governmental funds.		2,733,608
Accrued interest payable is not due and payable in the current period and, therefore, is not reported on the fund statements.		(151,751)
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	\$ (10,120,000)	
Unamortized premium on bonds	(34,003)	
Unamortized discount on bonds	31,568	
Other post-employment benefits liability	(1,360,435)	
Compensated absences	(1,436,338)	
		(12,919,208)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>71,990,247</u></b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 8,402,672	\$ 1,670,393	\$ 3,360,634
Special assessments	10,995	-	-
Licenses and permits	235,424	-	-
Intergovernmental	4,708,134	4,910,486	7,189,854
Charges for services	1,389,256	103,354	395,490
Fines and forfeits	58,004	-	-
Gifts and contributions	219,145	-	-
Investment earnings	166,167	-	-
Miscellaneous	767,009	7,996	393,036
	<u>\$ 15,956,806</u>	<u>\$ 6,692,229</u>	<u>\$ 11,339,014</u>
<b>Total Revenues</b>			
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 6,232,774	\$ -	\$ -
Public safety	6,945,759	-	-
Highways and streets	-	6,583,903	-
Human services	-	-	10,761,571
Health	1,222,913	-	-
Culture and recreation	245,272	-	-
Conservation of natural resources	197,787	-	-
Economic development	1,061,383	-	-
<b>Capital outlay</b>	-	-	-
<b>Intergovernmental</b>	388,890	226,509	-
<b>Debt service</b>			
Principal	-	-	-
Interest	-	-	-
Note issuance costs	-	-	-
Administrative (fiscal) charges	-	-	-
	<u>\$ 16,294,778</u>	<u>\$ 6,810,412</u>	<u>\$ 10,761,571</u>
<b>Total Expenditures</b>			
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>\$ (337,972)</u>	<u>\$ (118,183)</u>	<u>\$ 577,443</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 1,202,208	\$ 200,000	\$ -
Transfers out	-	-	(1,200,000)
Notes issued	-	-	-
	<u>\$ 1,202,208</u>	<u>\$ 200,000</u>	<u>\$ (1,200,000)</u>
<b>Total Other Financing Sources (Uses)</b>			
<b>Net Change in Fund Balance</b>	<u>\$ 864,236</u>	<u>\$ 81,817</u>	<u>\$ (622,557)</u>
<b>Fund Balance - January 1</b>	4,338,035	1,436,078	5,155,412
<b>Increase (decrease) in reserved for inventories</b>	<u>-</u>	<u>29,945</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 5,202,271</u>	<u>\$ 1,547,840</u>	<u>\$ 4,532,855</u>

**EXHIBIT 5**

<b>Debt Service</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,024,814	\$ -	\$ -	\$ 14,458,513
-	-	-	10,995
-	-	-	235,424
183,204	-	-	16,991,678
-	-	25	1,888,125
-	-	59,367	117,371
-	-	-	219,145
-	-	-	166,167
-	-	-	1,168,041
<b>\$ 1,208,018</b>	<b>\$ -</b>	<b>\$ 59,392</b>	<b>\$ 35,255,459</b>
\$ -	\$ -	\$ 56,978	\$ 6,289,752
-	-	-	6,945,759
-	-	-	6,583,903
-	-	-	10,761,571
-	-	-	1,222,913
-	-	-	245,272
-	-	-	197,787
-	-	-	1,061,383
-	619,425	-	619,425
-	-	-	615,399
805,000	-	-	805,000
372,340	-	-	372,340
-	26,088	-	26,088
2,231	-	-	2,231
<b>\$ 1,179,571</b>	<b>\$ 645,513</b>	<b>\$ 56,978</b>	<b>\$ 35,748,823</b>
<b>\$ 28,447</b>	<b>\$ (645,513)</b>	<b>\$ 2,414</b>	<b>\$ (493,364)</b>
\$ -	\$ -	\$ -	\$ 1,402,208
-	(200,000)	(2,208)	(1,402,208)
-	680,000	-	680,000
<b>\$ -</b>	<b>\$ 480,000</b>	<b>\$ (2,208)</b>	<b>\$ 680,000</b>
\$ 28,447	\$ (165,513)	\$ 206	\$ 186,636
1,390,366	389,715	17,225	12,726,831
-	-	-	29,945
<b>\$ 1,418,813</b>	<b>\$ 224,202</b>	<b>\$ 17,431</b>	<b>\$ 12,943,412</b>

**ISANTI COUNTY  
CAMBRIDGE, 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, 2010**

**Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 186,636**

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	\$ 5,094,890	
Net book value of assets disposed or sold	(22,623)	
Current year depreciation	<u>(2,334,708)</u>	2,737,559

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

Deferred revenue - December 31	\$ 2,733,608	
Deferred revenue - January 1	<u>(3,837,115)</u>	(1,103,507)

The issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This amount is the net effect of debt issuance. (653,912)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 805,000

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	\$ 9,210	
Amortization of discounts, premiums, and deferred issuance charges	(16,317)	
Change in compensated absences	(51,567)	
Change in early retirement incentives payable	110,720	
Change in other post-employment benefits payable	(414,133)	
Change in inventories	<u>29,945</u>	<u>(332,142)</u>

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,639,634**

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2010**

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	<u>\$ 1,034,971</u>
<b><u>Liabilities</u></b>	
Due to other governments	<u>\$ 1,034,971</u>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

*EXHIBIT 8*

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2010**

	<u>Green Lake Improvement District</u>	<u>Long Lake Improvement District</u>	<u>Total Discrete Component Units</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 27,974	\$ 109,821	\$ 137,795
Taxes receivable			
Prior - net	177	-	177
Special assessments receivable			
Prior - net	-	3,781	3,781
Prepaid items	-	1,854	1,854
Capital assets			
Depreciable - net	43,584	-	43,584
<b>Total Assets</b>	<b>\$ 71,735</b>	<b>\$ 115,456</b>	<b>\$ 187,191</b>
<b><u>Liabilities</u></b>			
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>Net Assets</u></b>			
Invested in capital assets	\$ 43,584	\$ -	\$ 43,584
Unrestricted	28,151	115,456	143,607
<b>Total Net Assets</b>	<b>\$ 71,735</b>	<b>\$ 115,456</b>	<b>\$ 187,191</b>

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

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

*EXHIBIT 9*

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Green Lake Improvement District</u>	<u>Long Lake Improvement District</u>	<u>Total</u>
<b><u>Component Units</u></b>						
Green Lake Improvement District	\$ 8,995	\$ 1,113	\$ -	\$ (7,882)	\$ -	\$ (7,882)
Long Lake Improvement District	47,359	56,760	20,000	-	29,401	29,401
<b>Total Component Units</b>	<b>\$ 56,354</b>	<b>\$ 57,873</b>	<b>\$ 20,000</b>	<b>\$ (7,882)</b>	<b>\$ 29,401</b>	<b>\$ 21,519</b>
<b>General Revenues and Other Items</b>						
Property taxes				\$ 7,757	\$ -	\$ 7,757
Grants and contributions not restricted to specific programs				111	-	111
<b>Total general revenues</b>				<b>\$ 7,868</b>	<b>\$ -</b>	<b>\$ 7,868</b>
<b>Change in Net Assets</b>				<b>\$ (14)</b>	<b>\$ 29,401</b>	<b>\$ 29,387</b>
<b>Net Assets - Beginning</b>				<b>71,749</b>	<b>86,055</b>	<b>157,804</b>
<b>Net Assets - Ending</b>				<b>\$ 71,735</b>	<b>\$ 115,456</b>	<b>\$ 187,191</b>

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

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**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Isanti County was established February 13, 1857, 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 Isanti County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Unit

Blended component units are legally separate organizations that are, in substance, part of the County's operations. Therefore, they are reported as if they were part of the County. The County reports the following blended component unit:

The Isanti County Economic Development Authority (EDA) was established by the Isanti County Board of Commissioners on October 16, 2007, pursuant to Minn. Stat. § 469.1082. The EDA is reported as a blended component unit because a voting majority of the EDA's board consists of the five County Commissioners. Currently, the EDA exists solely as a policy-making entity and has not conducted any financial operations. Therefore, the EDA's financial activity is not included in the accompanying financial statements for the year ended December 31, 2010.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units

While part of the reporting entity, the discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Isanti County are discretely presented:

The Green Lake Improvement District was established by the Isanti County Board of Commissioners on April 26, 2001, pursuant to Minn. Stat. § 103B.535. The District is reported as a discretely presented component unit of the County as a result of fiscal dependency; the County Board's approval is required for the District to levy taxes or issue debt. Separate financial statements are not prepared.

The Long Lake Improvement District was established by the Isanti County Board of Commissioners on September 7, 2005, pursuant to Minn. Stat. § 103B.535. The District is reported as a discretely presented component unit of the County as a result of fiscal dependency; the County Board's approval is required for the District to levy taxes or issue debt. Separate financial statements are not prepared.

The County's significant accounting policies are also used by the discrete component units. Additional information on the discrete component units can be found in Note 7.

Joint Ventures and Jointly-Governed Organization

The County participates in several joint ventures which are described in Note 6.B. The County also participates in a jointly-governed organization which is described in Note 6.C.

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 units. These statements include the financial activities of the overall County government, except for fiduciary activities.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

As a general rule, eliminations have been made to minimize the double-counting of internal activities. The exceptions to this general rule are transactions between funds, such as purchasing goods or services, which would be treated as revenues, expenditures, or expenses if they involved external organizations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Governmental activities are activities normally supported by taxes and intergovernmental revenues.

In the government-wide statement of net assets, the governmental activities column: (a) is presented on a consolidated basis by column; 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.

Isanti 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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

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 revenues and expenditures related to the County's debt activity.
- The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvements of capital facilities.

Additionally, the County reports the following fund type:

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

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

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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. Isanti County considers all revenues to be available if they are 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 general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, 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, 2010, 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 may receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2010 were \$166,167.

Isanti County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

Activity between funds that is 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).

Similarly, activity between the County and its discretely presented component units that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from component units" (the current portion of loans) or "advances to/from component units" (the noncurrent portion of loans).

All other outstanding balances between funds are reported as "due to/from other funds."

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

All receivables, including those of the discretely presented component units, are shown net of an allowance for uncollectible accounts.

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.

Loans receivable consists of contracts for deed between the County and private landowners for the purchase of tax forfeited property.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

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

4. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost equal to or greater than \$1 for land and \$5,000 for all other classes of assets and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	25 to 50
Improvements other than buildings	10 to 40
Infrastructure	20 to 75
Computer software	5 to 20
Machinery and equipment	5 to 20

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide 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.

7. Deferred 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. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

8. Long-Term Obligations (Continued)

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

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

9. 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.

10. 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.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

Individual Fund Deficits

The Ditch Special Revenue Fund had a positive fund balance of \$10,243 as of December 31, 2010. However, two of the four drainage systems within the fund have incurred expenditures in excess of revenues and available resources. The following summary shows individual drainage system balances as of December 31, 2010:

2 ditches with positive balances	\$ 15,551
2 ditches with negative balances	<u>(5,308)</u>
Total	<u>\$ 10,243</u>

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of Isanti County's total deposits, cash on hand, and investments to the basic financial statements follows:

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 12,902,421
Petty cash and change funds	3,900
Departmental cash	25,635
Discretely presented component units	
Cash and pooled investments	137,795
Statement of fiduciary net assets	
Cash and pooled investments	<u>1,034,971</u>
Total Cash and Investments	<u>\$ 14,104,722</u>
Deposits	\$ 9,017,601
Petty cash and change funds	3,900
Departmental cash	25,635
Investments	<u>5,057,586</u>
Total Deposits, Cash on Hand, and Investments	<u>\$ 14,104,722</u>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits

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

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

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy for custodial credit risk is to maintain adequate collateral for its deposits. The policy's collateral requirements are consistent with Minnesota statutes. As of December 31, 2010, the County's deposits were not exposed to custodial credit risk.

Investments

The funds of the county shall be deposited or invested in accordance with Minn. Stat. § 118A, any other applicable laws, and County investment policy. The objectives, in order of priority, will be to preserve principal, maintain liquidity, and earn the optimum rate of return.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with the County’s investment policy, investments will be sufficiently diverse to avoid risk and enhance return.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

At December 31, 2010, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Less Than 2 Years</u>	<u>2 – 5 Years</u>	<u>More Than 5 Years</u>
U.S. government agency securities	\$ 3,377,818	\$ -	\$ -	\$ 3,377,818
MAGIC Fund	1,001,465	1,001,465	-	-
Negotiable certificates of deposit	<u>678,303</u>	<u>678,303</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 5,057,586</u>	<u>\$ 1,679,768</u>	<u>\$ -</u>	<u>\$ 3,377,818</u>

In accordance with the County's investment policy, total long term investments with maturities greater than five years shall not exceed 25 percent of the investment portfolio. The County's investments exceeded this limitation as of December 31, 2010. In response, the County will review its policy to determine if the limitation is appropriate and consider changes to its investments as needed.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Following is a summary of the credit risk and fair values of the County's investments as of December 31, 2010:

<u>Investment Type</u>	<u>Moody's/S&amp;P Rating</u>	<u>Carrying (Fair) Value</u>
U.S. government agency securities	Aaa/AAA	\$ 3,377,818
MAGIC fund	N/R/NR	1,001,465
Negotiable certificates of deposit	N/R/NR	<u>678,303</u>
Total Investments		<u>\$ 5,057,586</u>

N/R – Not Rated

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Custodial Credit Risk for Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does not have an investment policy for custodial credit risk. At December 31, 2010, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County does not have a specific policy governing concentration of credit risk.

Investments in any one issuer that represent five percent or more of the County's investments are as follows:

<u>Issuer</u>	<u>Reported Amount</u>
Federal National Mortgage Association	\$ 2,274,725
Federal Home Loan Mortgage Corporation	1,103,093

2. Receivables

Receivables at December 31, 2010, for the County's governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 927,315	\$ -
Special assessments	2,518	2,518
Accounts	165,920	-
Interest	30,509	-
Due from other governments	3,040,478	-
Leases	267,965	204,304
Loans	121,629	86,315
Total Governmental Activities	\$ 4,556,334	\$ 293,137

Loans Receivable

The County currently has outstanding contracts for deed with four landowners for the purchase of tax forfeited properties. The following is a summary of these outstanding contracts for deeds as of December 31, 2010:

	Original Loan Amount	Amount Repaid To Date	Outstanding Balance
Forfeited Tax Sale Fund	\$ 180,650	\$ 59,021	\$ 121,629

The contracts for deeds have varying repayment schedules. The final payment on the contracts for deeds is scheduled to be received in October 2018.

Leases Receivable

The County has leased portions of the Oakview Office Complex to the State of Minnesota and various non-profit organizations to be used as office space. There are four lease agreements with varying expiration dates. The last of the lease agreements is scheduled to expire on October 31, 2014.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

The County has leased land behind the Isanti County Government Center to Md7 Capital Three LLC for placement of a communications tower. The lease agreement expires on June 9, 2035, although there are no rent amounts due for periods after December 31, 2028.

Amounts due under the lease agreements have been recorded as leases receivable and deferred revenue in the General Fund at December 31, 2010. The amounts for 2011 are considered current and due within one year. Amounts remaining to be paid are as follows:

Year	Office Space	Communications Tower	Total
2011	\$ 58,011	\$ 5,650	\$ 63,661
2012	46,132	5,650	51,782
2013	30,123	5,650	35,773
2014	24,714	5,650	30,364
2015	-	5,650	5,650
2016-2020	-	29,832	29,832
2021-2025	-	31,497	31,497
2026-2030	-	19,406	19,406
Total	<u>\$ 158,980</u>	<u>\$ 108,985</u>	<u>\$ 267,965</u>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

Primary Government

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,484,435	\$ 71,903	\$ -	\$ 4,556,338
Construction in progress	678,285	770,601	830,869	618,017
<b>Total capital assets not depreciated</b>	<b>\$ 5,162,720</b>	<b>\$ 842,504</b>	<b>\$ 830,869</b>	<b>\$ 5,174,355</b>
Capital assets depreciated				
Buildings	\$ 18,535,452	\$ 830,869	\$ -	\$ 19,366,321
Improvements other than buildings	312,843	-	-	312,843
Machinery, furniture, and equipment	8,493,853	455,649	489,308	8,460,194
Infrastructure	60,065,262	3,796,737	-	63,861,999
<b>Total capital assets depreciated</b>	<b>\$ 87,407,410</b>	<b>\$ 5,083,255</b>	<b>\$ 489,308</b>	<b>\$ 92,001,357</b>
Less: accumulated depreciation for				
Buildings	\$ 5,203,322	\$ 462,348	\$ -	\$ 5,665,670
Improvements other than buildings	84,733	13,171	-	97,904
Machinery, furniture, and equipment	5,660,009	661,427	466,685	5,854,751
Infrastructure	15,115,458	1,197,762	-	16,313,220
<b>Total accumulated depreciation</b>	<b>\$ 26,063,522</b>	<b>\$ 2,334,708</b>	<b>\$ 466,685</b>	<b>\$ 27,931,545</b>
<b>Total capital assets depreciated, net</b>	<b>\$ 61,343,888</b>	<b>\$ 2,748,547</b>	<b>\$ 22,623</b>	<b>\$ 64,069,812</b>
<b>Primary Government Capital Assets, Net</b>	<b>\$ 66,506,608</b>	<b>\$ 3,591,051</b>	<b>\$ 853,492</b>	<b>\$ 69,244,167</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

General government	\$	433,226
Public safety		427,253
Highways and streets, including depreciation of infrastructure assets		1,324,387
Human services		64,021
Health		1,464
Culture and recreation		10,059
Economic development		74,298
		\$ 2,334,708
Total		\$ 2,334,708

B. Interfund Receivables, Payables, and Transfers

Interfund Balances

The composition of interfund balances as of December 31, 2010, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Human Services Fund	\$ 56,456	Services rendered
General Fund	Road and Bridge Fund	3,894	Services rendered
Road and Bridge Fund	General Fund	5,994	Services rendered
General Fund	Forfeited Tax Sale Fund	11,613	Tax sale proceeds
Human Services Fund	Forfeited Tax Sale Fund	2,124	Tax sale proceeds
Road and Bridge Fund	Forfeited Tax Sale Fund	1,338	Tax sale proceeds
Debt Service Fund	Forfeited Tax Sale Fund	804	Tax sale proceeds
		\$ 82,223	
Total Due To/From Other Funds		\$ 82,223	

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2010, were made as follows:

The County transferred \$1,200,000 from the Human Services Special Revenue Fund to the General Fund. The transfer was made to redirect available fund balance to finance other County programs.

The County transferred \$200,000 from the Capital Projects Fund to the Road and Bridge Special Revenue Fund. The transfer was made to fund a portion of highway construction projects from bond proceeds.

The County transferred \$2,208 from the Sheriff's Contingency Special Revenue Fund to the General Fund. The transfer was made to move excess funds as required by Minn. Stat. § 387.213.

C. Liabilities

1. Payables

Payables at December 31, 2010, are as follows:

	<u>Governmental Activities</u>
Accounts	\$ 510,772
Salaries	579,329
Contracts	756,857
Due to other governments	334,637
Interest	<u>151,751</u>
Total Governmental Activities	<u>\$ 2,333,346</u>

2. Deferred Revenue

Deferred revenue consists of amounts receivable from taxes, special assessments, and other revenue sources that are not considered available to pay current liabilities.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

2. Deferred Revenue (Continued)

The unavailable portion of deferred revenue as of December 31, 2010, is as follows:

Fund	Delinquent Taxes and Special Assessments	Other Unavailable Revenues	Total Unavailable Deferred Revenue
General Fund	\$ 453,150	\$ 288,826	\$ 741,976
Human Services Fund	193,957	303,383	497,340
Road and Bridge Fund	95,157	1,184,402	1,279,559
Debt Service Fund	57,014	-	57,014
Capital Projects Fund	-	36,990	36,990
Forfeited Tax Sale Fund	-	120,729	120,729
<b>Total</b>	<b>\$ 799,278</b>	<b>\$ 1,934,330</b>	<b>\$ 2,733,608</b>

Deferred revenue also includes grant resources received, but not yet earned, as well as amounts receivable from leases. The unearned portion of deferred revenue as of December 31, 2010, is as follows:

	Unearned Grant Revenue	Unearned Lease Revenue	Total Unearned Revenue
General Fund	\$ 136,023	\$ 267,965	\$ 403,988

3. Early Retirement Incentive

In 2009, the County adopted a one-time early retirement incentive program for County employees. The early retirement program was voluntary and available to employees who met the following criteria:

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

3. Early Retirement Incentive (Continued)

- (1) Current non-probationary employee working at least 32 hours per week;
- (2) Five or more years of continuous employment with Isanti County as of December 31, 2009;
- (3) Meets age and service requirements necessary to be eligible for Minnesota Public Employees Retirement Association (PERA) retirement benefits;
- (4) Notified the County by November 9, 2009 of their intent to retire;
- (5) Voluntarily retired effective during the time frame of January 1, 2010 through June 30, 2010.

Participating employees had the option of receiving one of the following early retirement incentives:

- (1) Compensation of \$20,000 provided as a lump sum payment;
- (2) Single health insurance coverage continued for 36 months with the full cost of the premium paid by the County;
- (3) Family health insurance coverage continued for 12 months with the full cost of the premium paid by the County.

Five employees elected to participate in the program. Four of these employees selected the lump sum payment incentive. The termination benefits for this incentive were measured using the current cost approach since they were paid within one year.

One employee selected the continued single health insurance incentive. The continued health insurance benefit is included in the calculation of the OPEB actuarial valuation information since the employee was active in that program.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Other Post-Employment Benefits

Plan Description

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

Qualified retirees are eligible to receive a post-employment benefit that covers the cost of single health care insurance coverage. In order to qualify for this benefit, retirees must meet all of the following criteria:

- (1) 65 years of age or 62 years of age with 10 years of County service or 20 years of County service.
- (2) Full-time employee as of December 31, 1991 and remains full-time status through retirement.
- (3) Meets Minnesota Public Employees Retirement Association (PERA) requirements for retirement.

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

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

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

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

4. Other Post-Employment Benefits (Continued)

Participants

Participants of the plan consisted of the following at January 1, 2010, the date of the most recent actuarial valuation:

Active employees	237
Retired employees	58
Spouses of retirees	<u>8</u>
Total plan participants	<u><u>303</u></u>

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the Isanti County Board of Commissioners. The County finances the plan on a “pay-as-you-go” basis. During 2010, the County expended \$303,986 for these benefits.

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

Annual OPEB Cost and Net OPEB Obligation

The County’s annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County’s OPEB cost for 2010, the amount actuarially contributed to the plan, and changes in the County’s net OPEB obligation.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

4. Other Post-Employment Benefits (Continued)

Annual required contribution (ARC)	\$	732,830
Interest on net OPEB obligation		42,584
Adjustment to ARC		<u>(57,295)</u>
Annual OPEB cost		718,119
Contributions during the year		<u>(303,986)</u>
Increase in net OPEB obligation		414,133
Net OPEB – beginning of the year		<u>946,302</u>
 Net OPEB – end of the year	 \$	 <u>1,360,435</u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 752,613	\$ 280,568	37.28%	\$ 472,045
December 31, 2009	\$ 746,109	\$ 271,852	36.44%	\$ 946,302
December 31, 2010	\$ 718,119	\$ 303,986	42.33%	\$ 1,360,435

Funding Status

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

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

4. Other Post-Employment Benefits (Continued)

	Actuarial Valuation Date	
	January 1, 2008	January 1, 2010
Actuarial accrued liability (AAL)	\$ 8,621,249	\$ 8,526,956
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 8,621,249</u>	<u>\$ 8,526,956</u>
Funded ratio (actuarial value of plan assets – AAL)	0.00%	0.00%
Covered payroll (active plan members)	\$ 11,198,374	\$ 11,573,397
UAAL as a percentage of covered payroll	76.99%	73.68%

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

Actuarial Methods and Assumptions

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

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

4. Other Post-Employment Benefits (Continued)

In the January 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return and an annual health care cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after eight years. The actuarial value of plan assets was set equal to the market value of assets. The unfunded actuarial accrued liability is being amortized using the level dollar method over 30 years on a closed group basis. The remaining amortization period at December 31, 2010, was a weighted period of 27 years.

5. Long-Term Debt

Notes Issued

During 2010, the County issued \$680,000 General Obligation Capital Notes, Series 2010A. The proceeds of the notes will be used to finance the acquisition and implementation of an 800 MHz public safety radio system throughout the County.

Bonds and Notes Payable

Bonds and notes payable as of December 31, 2010 consist of the following issues:

Description of Issue	Outstanding Balance December 31, 2010
\$2,770,000 General Obligation Jail Bonds Series 2003A; due in annual installments of \$50,000 to \$355,000 through February 1, 2021; with interest rates of 1.125 to 3.85 percent.	\$ 2,090,000
\$1,400,000 General Obligation Jail Bonds Series 2004A; due in annual installments of \$25,000 to \$320,000 through February 1, 2022; with interest rates of 3.75 to 4.40 percent.	1,300,000
\$2,140,000 General Obligation Capital Improvement Plan Bonds Series 2007A; due in annual installments of \$70,000 to \$325,000 through February 1, 2018; with interest rates of 3.75 to 3.85 percent.	1,835,000

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt (Continued)

\$3,805,000 General Obligation Capital Improvement Plan Bonds Series 2007B; due in annual installments of \$135,000 to \$665,000 through February 1, 2014; with interest rate of 3.75 percent.	2,060,000
\$2,155,000 General Obligation Capital Improvement Plan Bonds Series 2008A; due in annual installments of \$30,000 to \$775,000 through February 1, 2023; with interest rates of 3.75 to 4.00 percent.	2,155,000
\$680,000 General Obligation Capital Notes, Series 2010A; due in annual installments of \$60,000 to \$155,000 through February 1, 2020; with interest rates of 1.30 to 2.65 percent.	<u>680,000</u>
Total Bonds and Notes Payable	\$ 10,120,000
Plus: unamortized premium	34,003
Less: unamortized discount	<u>(31,568)</u>
Total Bonds and Notes Payable, Net	<u>\$ 10,122,435</u>

Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2011	\$ 835,000	\$ 353,657
2012	870,000	325,148
2013	900,000	292,523
2014	690,000	264,365
2015	710,000	240,833
2016-2020	3,885,000	807,915
2021-2025	<u>2,230,000</u>	<u>138,396</u>
Total	<u>\$ 10,120,000</u>	<u>\$ 2,422,837</u>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt (Continued)

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 10,245,000	\$ 680,000	\$ 805,000	\$ 10,120,000	\$ 835,000
Plus: deferred amounts for issuance premiums	37,617	-	3,614	34,003	-
Less: deferred amounts for issuance discounts	(34,621)	-	(3,053)	(31,568)	-
Total bonds payable	\$ 10,247,996	\$ 680,000	\$ 805,561	\$ 10,122,435	\$ 835,000
Net OPEB payable	946,302	718,119	303,986	1,360,435	-
Early retirement incentive payable	110,720	-	110,720	-	-
Compensated absences	1,384,771	1,181,024	1,129,457	1,436,338	795,254
Governmental Activity Long-Term Liabilities	<u>\$ 12,689,789</u>	<u>\$ 2,579,143</u>	<u>\$ 2,349,724</u>	<u>\$ 12,919,208</u>	<u>\$ 1,630,254</u>

The OPEB, termination benefits, and compensated absences liabilities are generally liquidated by the General Fund, Human Services Fund, and Road and Bridge Fund.

6. Operating Lease Commitments

The County has 20 operating leases for office equipment. The monthly lease payments generally consist of a minimum payment and an additional amount based on usage. The total cost under the operating leases was \$75,682 in 2010. The last of the leases is scheduled to expire in April 2015.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

6. Operating Lease Commitments (Continued)

The following is a schedule of future minimum operating lease payments:

Year	Minimum Lease Payments
2011	\$ 31,233
2012	22,020
2013	14,533
2014	7,045
2015	363
Total	\$ 75,194

7. Construction Commitments

The County has active construction projects as of December 31, 2010. The projects and related commitments include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads	\$ 3,639,242	\$ 13,531
Bike trail	761,037	617,720
800 MHz radio system installation	440,059	77,657

D. Fund Balance

1. Reserved Fund Balance

Fund balances are reserved to show amounts segregated from available resources. Reserved fund balances at December 31, 2010, are as follows:

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

D. Fund Balance

1. Reserved Fund Balance (Continued)

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Capital Projects</u>
Reserved for:				
Encumbrances	\$ -	\$ 631,251	\$ -	\$ 77,657
Petty cash and change funds	3,900	-	-	-
Inventories	-	626,305	-	-
Prepaid items	144,167	1,641	7,373	-
Recorder's technology	448,827	-	-	-
Land records compliance	342,564	-	-	-
Missing heirs	11,381	-	-	-
Law library	89,010	-	-	-
Attorney's forfeiture	35,390	-	-	-
Sheriff's forfeiture	3,400	-	-	-
Enhanced 911 system	74,646	-	-	-
Permit to carry program	44,420	-	-	-
DARE program	237	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Reserved	<u>\$ 1,197,942</u>	<u>\$ 1,259,197</u>	<u>\$ 7,373</u>	<u>\$ 77,657</u>

2. Designated Fund Balance

Fund balances designated show amounts that reflect tentative managerial plans or intent. Designated fund balances at December 31, 2010, are as follows:

	<u>General Fund</u>
Building maintenance and repair	\$ 525,000
Township parks	154,206
County parks and recreation	187,961
AED equipment program	9,513
Beyond the yellow ribbon program	6,821
Safety and rescue program	3,507
Jail operations	36,839
Sheriff K-9 program	5,645
	<u>          </u>
Total Designated	<u>\$ 929,492</u>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

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

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

Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2).

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

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

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

Funding Policy

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

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.4 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2010	2009	2008
General Employees Retirement Fund	\$ 664,959	\$ 638,557	\$ 603,779
Public Employees Police and Fire Fund	190,821	178,001	160,409
Public Employees Correctional Fund	127,358	124,868	126,863

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

B. Defined Contribution Plan

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

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.0 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2010, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,881	\$ 4,881
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

5. 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. In order to manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County is self-insured for a portion of its health benefits plan. For other risk, the County carries commercial insurance. There were no significant reductions in insurance coverage from the previous year or settlements in excess of coverage for any of the past three years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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5. Risk Management (Continued)

equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2010 and \$450,000 per claim in 2011. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The County contracts with Hanratty & Associates to administer health benefit plans for its employees. Under these plans, the County obtains commercial health insurance with an annual deductible. The County is self-insured for the cost of healthcare claims up to the deductible for each employee. These deductible amounts were \$3,000 (single coverage) and \$6,000 (family coverage) in 2010 and 2011. The County is also self-insured for 20% of healthcare claims costs above the deductible amount until an "out-of-pocket maximum" amount is reached for each employee. The maximum amount the County would pay for each employee, including costs up to the deductible, is \$6,250 (single coverage) or \$12,500 (family coverage). Once the out-of-pocket maximum amount has been reached, the remaining healthcare costs are covered by commercial insurance. Hanratty & Associates processes the self-insured health benefit claims and charges the County an administrative fee. All claims are paid from the General Fund.

The County sets annual premiums for the self-insured portion of the plans based on the recommendation of the plan administrators and accumulates premiums collected from all participating funds in the General Fund.

The County's self-insurance health claims liability represents claims costs incurred but not paid by the County prior to December 31. The liability is reported in the General Fund as part of accounts payable. The County's management is not aware of any claims incurred but not reported (IBNRs); such amounts are not considered to be material. Changes in the balances of claims liabilities for the past two years are as follows:

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5. Risk Management (Continued)

	2010		2009
Unpaid claims – January 1	\$ 43,163	\$	63,479
Current year claims	589,958		367,940
Claim payments	(567,094)		(388,256)
Unpaid claims – December 31	\$ 66,027	\$	43,163

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

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

B. Joint Ventures

East Central Regional Library

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

Isanti County's contribution for 2010 was \$387,870. Complete financial statements of the East Central Regional Library can be obtained at 244 South Birch, Cambridge, Minnesota 55008.

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CAMBRIDGE, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

East Central Solid Waste Commission

The East Central Solid Waste Commission was established in March 1988 by a joint powers agreement among Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to conduct a solid waste management program on behalf of the participating counties.

The Commission is an organized joint venture having powers, duties, and privileges granted joint powers by Minn. Stat. § 471.59.

The Commission has five voting members, one from each county. At its annual meeting, the Board of County Commissioners of each county chooses a member and an alternate, both County Commissioners, as representatives of the county. Each county has one voting member and, in the absence of the voting member, the alternate votes.

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

Each county's share of the Commission's assets, liabilities, and equities cannot be accurately determined since it will fluctuate with census data rather than ownership interest.

Complete financial statements of the East Central Solid Waste Commission can be obtained at 1756 - 180th Avenue, P.O. Box 29, Mora, Minnesota 55051.

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CAMBRIDGE, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Minneapolis-Duluth/Superior Passenger Rail Alliance

The Minneapolis-Duluth/Superior Passenger Rail Alliance was established by a joint powers agreement between Anoka County, Hennepin County, Isanti County, Pine County, St. Louis and Lake County Regional Railroad Authority, City of Duluth, City of Minneapolis, and Douglas County (Wisconsin) to explore options for the development of rail transportation between the Twin Cities and Duluth-Superior metropolitan areas.

The Board consists of one elected official from each of the member governmental entities. Each member party contributes funds consistent with an annual budget and cost-sharing formula. Isanti County's contribution for 2010 was \$24,000. St. Louis-Lake Regional Rail Authority serves as the fiscal agent.

Metropolitan Emergency Services Board

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

Isanti County's contribution for 2010 was \$14,679. Complete financial statements of the Metropolitan Emergency Services Board can be obtained at the 911 Board Offices, 2099 University Avenue, West St. Paul, MN 55104.

C. Jointly-Governed Organization

Isanti County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organization listed below:

Isanti County Integrated Collaborative

The Isanti County Integrated Collaborative was established February 18, 1998, under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Isanti County Family Services, Braham Area School District #314, Cambridge-Isanti Independent School District #911, Isanti County Public

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6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organization (Continued)

Health, and the Isanti County Probation Department.

The purpose of the Collaborative is to provide culturally appropriate programs and services to children and families, prevent children from developing more severe disabilities, and provide for the safety and security of the community and its children.

Control of the Isanti County Integrated Collaborative is vested in a five-member Governance Board appointed by the member parties.

Financing is provided by state and federal grants and contributions from its member parties. Isanti County, in an agent capacity, reports the cash transactions of the Isanti County Integrated Collaborative's Integrated Fund as an agency fund in its financial statements.

Financial statements of the Isanti County Integrated Collaborative's Integrated Fund can be obtained at Isanti County Family Services Department, 1700 East Rum River Drive S., Suite A, Cambridge, Minnesota 55008.

7. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented component units have the following significant accounting policies.

Reporting Entities

The Green Lake Improvement District is governed by a nine-member board of directors elected by eligible property owners within the District.

The Long Lake Improvement District is governed by a seven-member board of directors elected by property owners within the District.

Due to the entities' financial dependency on the County, the County classifies both entities as discrete component units. The fiscal dependency criterion applies because the County Board of Commissioners' approval is required for either entity to levy taxes or issue debt.

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CAMBRIDGE, MINNESOTA**

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7. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Green Lake Improvement District and the Long Lake Improvement District both present their activities as a single governmental fund.

Basis of Accounting

The Green Lake Improvement District and the Long Lake Improvement District General Funds are accounted for on the modified accrual basis of accounting.

Cash and Pooled Investments

All cash of the Green Lake Improvement District and the Long Lake Improvement District is deposited with the County Auditor-Treasurer.

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables as of December 31, 2010, for each discretely presented component unit, including any applicable allowances for uncollectible accounts, are as follows:

	Green Lake Improvement District	Long Lake Improvement District	Total
Taxes	\$ 177	\$ -	\$ 177
Special assessments	-	3,781	3,781
Total Component Units	\$ 177	\$ 3,781	\$ 3,958

All receivable amounts for the discretely presented component units are scheduled for collection during the subsequent year.

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CAMBRIDGE, MINNESOTA**

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7. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets (Continued)

Capital Assets

The Long Lake Improvement District does not have any capital assets as of December 31, 2010.

The Green Lake Improvement District capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated Improvements other than buildings	\$ 76,909	\$ -	\$ -	\$ 76,909
Less: accumulated depreciation	<u>29,480</u>	<u>3,845</u>	<u>-</u>	<u>33,325</u>
Component Unit Capital Assets, Net	<u>\$ 47,429</u>	<u>\$ (3,845)</u>	<u>\$ -</u>	<u>\$ 43,584</u>

Depreciation expense was charged to functions/programs of the Green Lake Improvement District as follows:

Green Lake Improvement District	<u>\$ 3,845</u>
---------------------------------	-----------------

2. Liabilities

Deferred Revenue

Deferred revenue consists of amounts receivable from taxes, special assessments, and other revenue sources that are not considered available to pay current liabilities.

The unavailable portion of deferred revenue as of December 31, 2010, is as follows:

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

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7. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

	Green Lake Improvement District	Long Lake Improvement District	Total
Delinquent taxes	\$ 147	\$ -	\$ 147
Delinquent special assessments	-	3,434	3,434
Total Deferred Revenue	<u>\$ 147</u>	<u>\$ 3,434</u>	<u>\$ 3,581</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 8,368,767	\$ 8,368,767	\$ 8,402,672	\$ 33,905
Special assessments	-	-	10,995	10,995
Licenses and permits	353,081	353,081	235,424	(117,657)
Intergovernmental	4,588,622	4,822,778	4,708,134	(114,644)
Charges for services	1,633,122	1,633,122	1,389,256	(243,866)
Fines and forfeits	30,000	30,000	58,004	28,004
Gifts and contributions	184,202	192,762	219,145	26,383
Investment earnings	300,000	300,000	166,167	(133,833)
Miscellaneous	784,531	798,321	767,009	(31,312)
<b>Total Revenues</b>	<b>\$ 16,242,325</b>	<b>\$ 16,498,831</b>	<b>\$ 15,956,806</b>	<b>\$ (542,025)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 249,742	\$ 249,742	\$ 232,922	\$ 16,820
Courts	87,500	87,500	83,166	4,334
Law library	35,394	35,394	43,332	(7,938)
County administration	1,113,655	1,113,655	1,005,381	108,274
County auditor-treasurer	887,049	887,049	867,065	19,984
Auditing and accounting services	45,000	45,000	35,448	9,552
County assessor	358,510	358,510	367,892	(9,382)
Elections	33,419	33,419	47,688	(14,269)
Management information systems	368,214	368,214	381,070	(12,856)
Central services	10,000	10,000	7,061	2,939
Human rights commission	-	-	200	(200)
Attorney	1,128,893	1,128,893	1,112,060	16,833
Recorder	268,365	268,365	335,001	(66,636)
Surveyor	45,000	45,000	66,404	(21,404)
Geographic information systems	23,500	23,500	23,940	(440)
Planning and zoning	417,096	417,096	393,991	23,105
Buildings and maintenance	1,097,066	1,097,066	974,381	122,685
Veterans services	146,463	161,878	167,279	(5,401)
County contingency	50,000	50,000	23,393	26,607
Appropriations	65,100	65,100	65,100	-
<b>Total general government</b>	<b>\$ 6,429,966</b>	<b>\$ 6,445,381</b>	<b>\$ 6,232,774</b>	<b>\$ 212,607</b>

*(Continued)*

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

*Schedule 1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 5,369,453	\$ 5,625,959	\$ 5,818,368	\$ (192,409)
Probation and parole	855,219	855,219	873,667	(18,448)
Medical examiner	116,748	116,748	116,748	-
Emergency management	97,810	104,658	136,976	(32,318)
<b>Total public safety</b>	<b>\$ 6,439,230</b>	<b>\$ 6,702,584</b>	<b>\$ 6,945,759</b>	<b>\$ (243,175)</b>
<b>Health</b>				
Public health	<b>\$ 1,728,088</b>	<b>\$ 1,764,922</b>	<b>\$ 1,222,913</b>	<b>\$ 542,009</b>
<b>Culture and recreation</b>				
Parks	\$ 162,126	\$ 192,126	\$ 173,233	\$ 18,893
Bike trails	10,000	10,000	10,371	(371)
Snowmobile trails	-	-	43,400	(43,400)
Historical society	17,000	17,000	17,000	-
Ceremonies for veterans	1,000	1,000	1,268	(268)
<b>Total culture and recreation</b>	<b>\$ 190,126</b>	<b>\$ 220,126</b>	<b>\$ 245,272</b>	<b>\$ (25,146)</b>
<b>Conservation of natural resources</b>				
Extension service	\$ 145,808	\$ 145,808	\$ 133,957	\$ 11,851
Soil and water conservation	30,000	30,000	40,000	(10,000)
Oak wilt program	-	-	3,400	(3,400)
Agricultural society and county fair	10,000	10,000	10,000	-
Predator control	-	-	10,430	(10,430)
<b>Total conservation of natural resources</b>	<b>\$ 185,808</b>	<b>\$ 185,808</b>	<b>\$ 197,787</b>	<b>\$ (11,979)</b>
<b>Economic development</b>				
Transit	\$ 980,928	\$ 983,688	\$ 1,014,293	\$ (30,605)
Economic development	43,000	43,000	23,090	19,910
Rail authority	24,000	24,000	24,000	-
<b>Total economic development</b>	<b>\$ 1,047,928</b>	<b>\$ 1,050,688</b>	<b>\$ 1,061,383</b>	<b>\$ (10,695)</b>
<b>Intergovernmental</b>				
Library	<b>\$ 387,870</b>	<b>\$ 387,870</b>	<b>\$ 388,890</b>	<b>\$ (1,020)</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

*Schedule 1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Total Expenditures</b>	<b>\$ 16,409,016</b>	<b>\$ 16,757,379</b>	<b>\$ 16,294,778</b>	<b>\$ 462,601</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (166,691)</b>	<b>\$ (258,548)</b>	<b>\$ (337,972)</b>	<b>\$ (79,424)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,202,208</u>	<u>\$ 1,202,208</u>
<b>Net Change in Fund Balance</b>	<b>\$ (166,691)</b>	<b>\$ (258,548)</b>	<b>\$ 864,236</b>	<b>\$ 1,122,784</b>
<b>Fund Balance - January 1</b>	<u>4,338,035</u>	<u>4,338,035</u>	<u>4,338,035</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 4,171,344</u></u>	<u><u>\$ 4,079,487</u></u>	<u><u>\$ 5,202,271</u></u>	<u><u>\$ 1,122,784</u></u>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,655,330	\$ 1,655,330	\$ 1,670,393	\$ 15,063
Intergovernmental	3,901,976	3,901,976	4,910,486	1,008,510
Charges for services	124,280	124,280	103,354	(20,926)
Miscellaneous	2,000	2,000	7,996	5,996
<b>Total Revenues</b>	<b>\$ 5,683,586</b>	<b>\$ 5,683,586</b>	<b>\$ 6,692,229</b>	<b>\$ 1,008,643</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 322,388	\$ 322,388	\$ 315,077	\$ 7,311
Maintenance	1,252,994	1,252,994	1,179,628	73,366
Construction	3,584,001	3,970,461	4,534,986	(564,525)
Equipment and shop	566,203	586,013	554,212	31,801
<b>Total highways and streets</b>	<b>\$ 5,725,586</b>	<b>\$ 6,131,856</b>	<b>\$ 6,583,903</b>	<b>\$ (452,047)</b>
<b>Intergovernmental</b>				
Town roads	\$ 193,000	\$ 193,000	\$ 226,509	\$ (33,509)
<b>Total Expenditures</b>	<b>\$ 5,918,586</b>	<b>\$ 6,324,856</b>	<b>\$ 6,810,412</b>	<b>\$ (485,556)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (235,000)</b>	<b>\$ (641,270)</b>	<b>\$ (118,183)</b>	<b>\$ 523,087</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
<b>Net Change in Fund Balance</b>	<b>\$ (35,000)</b>	<b>\$ (441,270)</b>	<b>\$ 81,817</b>	<b>\$ 523,087</b>
<b>Fund Balance - January 1</b>	<b>1,436,078</b>	<b>1,436,078</b>	<b>1,436,078</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>29,945</b>	<b>29,945</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,401,078</b>	<b>\$ 994,808</b>	<b>\$ 1,547,840</b>	<b>\$ 553,032</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,329,823	\$ 3,329,823	\$ 3,360,634	\$ 30,811
Intergovernmental	7,040,928	7,330,370	7,189,854	(140,516)
Charges for services	121,643	121,643	395,490	273,847
Miscellaneous	385,591	385,591	393,036	7,445
<b>Total Revenues</b>	<b>\$ 10,877,985</b>	<b>\$ 11,167,427</b>	<b>\$ 11,339,014</b>	<b>\$ 171,587</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 2,651,877	\$ 2,651,877	\$ 2,591,197	\$ 60,680
Social services	8,297,852	8,587,294	8,170,374	416,920
<b>Total Expenditures</b>	<b>\$ 10,949,729</b>	<b>\$ 11,239,171</b>	<b>\$ 10,761,571</b>	<b>\$ 477,600</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (71,744)</b>	<b>\$ (71,744)</b>	<b>\$ 577,443</b>	<b>\$ 649,187</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (1,200,000)	\$ (1,200,000)
<b>Net Change In Fund Balance</b>	<b>\$ (71,744)</b>	<b>\$ (71,744)</b>	<b>\$ (622,557)</b>	<b>\$ (550,813)</b>
<b>Fund Balance - January 1</b>	<b>5,155,412</b>	<b>5,155,412</b>	<b>5,155,412</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,083,668</b>	<b>\$ 5,083,668</b>	<b>\$ 4,532,855</b>	<b>\$ (550,813)</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

Schedule 4

**SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
DECEMBER 31, 2010**

	<b>January 1, 2008</b>	<b>January 1, 2010</b>
Actuarial valuation date		
Actuarial value of plan assets	\$ -	\$ -
Actuarial accrued liability	<u>8,621,249</u>	<u>8,526,956</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 8,621,249</u>	<u>\$ 8,526,956</u>
Funded ratio	0.00%	0.00%
Covered payroll	\$ 11,198,374	\$ 11,573,397
UAAL as percentage of covered payroll	76.99%	73.68%

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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1. Budgetary Information

General Budget Policies

The County Board adopts annual estimated revenue and expenditure budgets for the General Fund, the Road & Bridge Special Revenue Fund, the Human Services Special Revenue Fund, and the Debt Service Fund. Annual budgets are not adopted for the Capital Projects Fund, the Sheriff's Contingency Special Revenue Fund, the Forfeited Tax Sale Special Revenue Fund, and Ditch Special Revenue Fund.

The budgets may be amended or modified at any time by the County Board.

The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the fund level for all funds except the General Fund. In the General Fund, the legal level of budgetary control is the department level.

Budget Basis of Accounting

Budgets for the General Fund and budgeted special revenue funds are adopted on a basis consistent with generally accepted accounting principles.

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.

Expenditures in Excess of Appropriations

For the year ended December 31, 2010, expenditures exceeded appropriations in the funds, departments, and programs as follows:

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

1. Budgetary Information (Continued)

Fund or Department	Excess
General Fund	
Law library	\$ 7,938
County assessor	9,382
Elections	14,269
Management information systems	12,856
Human rights commission	200
Recorder	66,636
Surveyor	21,404
Geographic information systems	440
Veterans services	5,401
Sheriff	192,409
Probation and parole	18,448
Emergency management	32,318
Bike trails	371
Snowmobile trails	43,400
Ceremonies for veterans	268
Soil and water conservation	10,000
Oak wilt program	3,400
Predator control	10,430
Transit	30,605
Library	1,020
Road and Bridge Fund	
Construction	564,525
Town roads	33,509

These expenditures in excess of appropriations were funded by greater than anticipated revenues and the use of available fund balance.

2. Other Post-Employment Benefits Information

The County implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45 for the fiscal year ended December 31, 2008. As a result, prior year information on funding progress for the County's other post-employment benefits plan is not available.

**COMBINING AND INDIVIDUAL FUND STATEMENTS**

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**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,017,023	\$ 1,017,023	\$ 1,024,814	\$ 7,791
Intergovernmental	235,330	235,330	183,204	(52,126)
<b>Total Revenues</b>	<b>\$ 1,252,353</b>	<b>\$ 1,252,353</b>	<b>\$ 1,208,018</b>	<b>\$ (44,335)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 805,000	\$ 805,000	\$ 805,000	\$ -
Interest	447,353	447,353	372,340	75,013
Administrative charges	-	-	2,231	(2,231)
<b>Total Expenditures</b>	<b>\$ 1,252,353</b>	<b>\$ 1,252,353</b>	<b>\$ 1,179,571</b>	<b>\$ 72,782</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,447</b>	<b>\$ 28,447</b>
<b>Fund Balance - January 1</b>	<b>1,390,366</b>	<b>1,390,366</b>	<b>1,390,366</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,390,366</b>	<b>\$ 1,390,366</b>	<b>\$ 1,418,813</b>	<b>\$ 28,447</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Forfeited Tax Sale Fund accounts for the proceeds from the sale of property forfeited due to unpaid taxes.

The Sheriff's Contingency Fund accounts for monies set aside for special investigations by the County Sheriff.

The Ditch Fund accounts for the construction and repair of ditch systems.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<b>Forfeited Tax Sale</b>	<b>Sheriff's Contingency</b>	<b>Ditch</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 54,273	\$ 5,000	\$ 10,243	\$ 69,516
Accrued interest receivable	1,468	-	-	1,468
Due from other governments	-	271	-	271
Loans receivable	121,629	-	-	121,629
	<b>\$ 177,370</b>	<b>\$ 5,271</b>	<b>\$ 10,243</b>	<b>\$ 192,884</b>
 <b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Due to other funds	\$ 15,879	\$ -	\$ -	\$ 15,879
Due to other governments	38,845	-	-	38,845
Deferred revenue - unavailable	120,729	-	-	120,729
	<b>\$ 175,453</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 175,453</b>
 <b>Fund Balances</b>				
Unreserved				
Undesignated	\$ 1,917	\$ 5,271	\$ 10,243	\$ 17,431
	<b>\$ 177,370</b>	<b>\$ 5,271</b>	<b>\$ 10,243</b>	<b>\$ 192,884</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 177,370</b>	<b>\$ 5,271</b>	<b>\$ 10,243</b>	<b>\$ 192,884</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Forfeited Tax Sale</b>	<b>Sheriff's Contingency</b>	<b>Ditch</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>				
Charges for services	\$ 25	\$ -	\$ -	\$ 25
Fines and forfeits	56,953	2,414	-	59,367
	<b>\$ 56,978</b>	<b>\$ 2,414</b>	<b>\$ -</b>	<b>\$ 59,392</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 56,978	\$ -	\$ -	\$ 56,978
	<b>\$ -</b>	<b>\$ 2,414</b>	<b>\$ -</b>	<b>\$ 2,414</b>
<b>Excess of Revenues Over (Under) Expenditures</b>				
	<b>\$ -</b>	<b>\$ 2,414</b>	<b>\$ -</b>	<b>\$ 2,414</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	(2,208)	-	(2,208)
	<b>\$ -</b>	<b>\$ 206</b>	<b>\$ -</b>	<b>\$ 206</b>
<b>Net Change in Fund Balance</b>				
	<b>\$ -</b>	<b>\$ 206</b>	<b>\$ -</b>	<b>\$ 206</b>
<b>Fund Balance - January 1</b>	<b>1,917</b>	<b>5,065</b>	<b>10,243</b>	<b>17,225</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,917</b>	<b>\$ 5,271</b>	<b>\$ 10,243</b>	<b>\$ 17,431</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

**AGENCY FUNDS**

The Agency Fund accounts for the collection and payment of monies on behalf of the state, other local governmental units, and other entities.

The Taxes and Penalties Fund accounts for the collection and apportionment of taxes and penalties collected on behalf of the County and other taxing districts.

The Collaborative Fund accounts for monies passed through to the Isanti County Integrated Collaborative.

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 85,628</u>	<u>\$ 1,875,628</u>	<u>\$ 1,879,530</u>	<u>\$ 81,726</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 85,628</u>	<u>\$ 1,875,628</u>	<u>\$ 1,879,530</u>	<u>\$ 81,726</u>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 506,116</u>	<u>\$ 43,928,546</u>	<u>\$ 43,800,540</u>	<u>\$ 634,122</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 506,116</u>	<u>\$ 43,928,546</u>	<u>\$ 43,800,540</u>	<u>\$ 634,122</u>
<b><u>COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 200,055</u>	<u>\$ 301,571</u>	<u>\$ 182,503</u>	<u>\$ 319,123</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 200,055</u>	<u>\$ 301,571</u>	<u>\$ 182,503</u>	<u>\$ 319,123</u>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

*Statement 3*  
*(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 791,799</u>	<u>\$ 46,105,745</u>	<u>\$ 45,862,573</u>	<u>\$ 1,034,971</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 791,799</u>	<u>\$ 46,105,745</u>	<u>\$ 45,862,573</u>	<u>\$ 1,034,971</u>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

*Statement 4*

**BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2010**

	<b>Green Lake Improvement District</b>	<b>Long Lake Improvement District</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 27,974	\$ 109,821	\$ 137,795
Taxes receivable			
Prior	177	-	177
Special assessments receivable			
Prior	-	3,781	3,781
Prepaid items	-	1,854	1,854
	<b>\$ 28,151</b>	<b>\$ 115,456</b>	<b>\$ 143,607</b>
<b>Total Assets</b>	<b>\$ 28,151</b>	<b>\$ 115,456</b>	<b>\$ 143,607</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Deferred revenue - unavailable	\$ 147	\$ 3,434	\$ 3,581
<b>Fund Balances</b>			
Reserved for prepaid items	\$ -	\$ 1,854	\$ 1,854
Unreserved			
Undesignated	28,004	110,168	138,172
	<b>\$ 28,004</b>	<b>\$ 112,022</b>	<b>\$ 140,026</b>
<b>Total Fund Balances</b>	<b>\$ 28,004</b>	<b>\$ 112,022</b>	<b>\$ 140,026</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 28,151</b>	<b>\$ 115,456</b>	<b>\$ 143,607</b>

**Reconciliation of Fund Balance to Net Assets**

<b>Fund Balance</b>	<b>\$ 140,026</b>
Capital assets are reported on the statement of net assets but not on the balance sheet.	43,584
Assets not available to pay current expenditures are deferred in the funds.	3,581
<b>Net Assets</b>	<b>\$ 187,191</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

Statement 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Green Lake Improvement District</b>	<b>Long Lake Improvement District</b>	<b>Total</b>
<b>Revenues</b>			
Taxes	\$ 7,762	\$ -	\$ 7,762
Special assessments	-	56,680	56,680
Intergovernmental	111	20,000	20,111
Miscellaneous	1,113	430	1,543
<b>Total Revenues</b>	<b>\$ 8,986</b>	<b>\$ 77,110</b>	<b>\$ 86,096</b>
<b>Expenditures</b>			
<b>Current</b>			
Conservation of natural resources	\$ 5,150	\$ 47,359	\$ 52,509
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 3,836</b>	<b>\$ 29,751</b>	<b>\$ 33,587</b>
<b>Fund Balance - January 1</b>	<b>24,168</b>	<b>82,271</b>	<b>106,439</b>
<b>Fund Balance - December 31</b>	<b>\$ 28,004</b>	<b>\$ 112,022</b>	<b>\$ 140,026</b>

**Reconciliation of the Change in Fund Balance to the Change in Net Assets**

**Net Change in Fund Balance** **\$ 33,587**

In the funds, receivables not available for expenditure are deferred. In the statement of activities, these revenues are recognized when earned.

Deferred revenue - January 1	(3,936)
Deferred revenue - December 31	3,581

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

	(3,845)
<b>Net Change in Net Assets</b>	<b>\$ 29,387</b>

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**SUPPLEMENTARY INFORMATION**

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

**Schedule 6**

**BALANCE SHEET BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2010**

	<b>County Ditches</b>				
	<b>1</b>	<b>3</b>	<b>4</b>	<b>16</b>	<b>Totals</b>
<b><u>Assets</u></b>					
Cash and pooled investments	<b>\$ 15,489</b>	<b>\$ (4,584)</b>	<b>\$ 62</b>	<b>\$ (724)</b>	<b>\$ 10,243</b>
<b><u>Fund Balances</u></b>					
Unreserved, undesignated	<b>\$ 15,489</b>	<b>\$ (4,584)</b>	<b>\$ 62</b>	<b>\$ (724)</b>	<b>\$ 10,243</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

*Schedule 7*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Governmental Funds</b>	<b>Discretely Presented Component Units</b>
<b>Shared Revenue</b>		
<b>State</b>		
Highway users tax	\$ 3,807,615	\$ -
Market value credit	923,257	111
PERA rate reimbursement	37,531	-
Disparity reduction aid	39,912	-
County program aid	1,570,556	-
Police aid	127,403	-
E-911	111,769	-
	<b>\$ 6,618,043</b>	<b>\$ 111</b>
<b>Reimbursement for Services</b>		
<b>State</b>		
Minnesota department of human services	\$ 931,730	\$ -
<b>Payments</b>		
<b>Local</b>		
Local contributions	\$ 19,623	\$ -
Payments in lieu of taxes	100,207	-
	<b>\$ 119,830</b>	<b>\$ -</b>
<b>Grants</b>		
<b>State</b>		
Minnesota department/board of		
Corrections	\$ 282,868	\$ -
Public safety	47,974	-
Transportation	499,834	-
Peace officer standards and training	6,811	-
Health	309,449	-
Natural resources	45,933	20,000
Secretary of state	446	-
Human services	3,514,743	-
Soil and water resources	75,145	-
Veteran's affairs	24,160	-
Trial courts	7,530	-
Pollution control agency	80,131	-
	<b>\$ 4,895,024</b>	<b>\$ 20,000</b>
<b>Federal</b>		
Department of		
Agriculture	\$ 397,896	\$ -
Justice	173,001	-
Labor	3,831	-
Transportation	1,171,929	-
Education	12,566	-
Health and human services	2,523,780	-
Homeland security	144,048	-
	<b>\$ 4,427,051</b>	<b>\$ -</b>
<b>Total State and Federal Grants</b>	<b>\$ 9,322,075</b>	<b>\$ 20,000</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 16,991,678</b>	<b>\$ 20,111</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

Schedule 8

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 184,785
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	203,398
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - ARRA	10.561	6,313
Passed Through Minnesota Department of Natural Resources Forest Health Protection	10.680	<u>3,400</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 397,896</u></b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	\$ 163,000
Violence Against Women Formula Grants	16.588	<u>10,001</u>
<b>Total U.S. Department of Justice</b>		<b><u>\$ 173,001</u></b>
<b>U.S. Department of Labor</b>		
Direct Employee Benefits Security Administration Cobra Premium Assistance - ARRA	17.151	<b><u>\$ 3,831</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	\$ 792,819
Highway Planning and Construction - ARRA	20.205	11,731
Formula Grants for Other Than Urbanized Areas	20.509	307,858
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	<u>19,500</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 1,131,908</u></b>
<b>U.S. Department of Education</b>		
Passed Through Independent School District 911 Special Education Grants for Infants and Families	84.181	<b><u>\$ 12,566</u></b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

**Schedule 8  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	\$ 128,909
Universal Newborn Hearing Screening	93.251	300
Immunization Grants	93.268	360
Center for Disease Control and Prevention Investigations and Technical Assistance	93.283	34,388
Temporary Assistance for Needy Families (TANF)	93.558	40,471
Maternal and Child Health Services Block Grants to the States	93.994	37,561
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	21,790
Temporary Assistance for Needy Families (TANF)	93.558	411,748
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	817,584
Child Support Enforcement - ARRA	93.563	60,278
Refugee and Entrant Assistance State Administered Programs	93.566	251
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	22,102
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	88,409
Foster Care Title IV-E - ARRA	93.658	3,078
Social Services Block Grant	93.667	181,190
Chafee Foster Care Independence Program	93.674	6,918
Children's Health Insurance Program	93.767	271
Medical Assistance Program	93.778	583,589
Block Grants for Community Mental Health Services	93.958	32,090
Passed Through St. Cloud Hospital		
Public Health and Social Services Emergency Fund	93.003	25,000
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 2,496,287</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	\$ 22,643
Homeland Security Grant Program	97.067	57,600
Passed Through Metropolitan Emergency Services Board		
Interoperable Emergency Communications	97.055	36,990
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 117,233</b>
<b>Total Federal Awards</b>		<b>\$ 4,332,722</b>

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Isanti County under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Isanti County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Isanti County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 4,427,051
Grants received more than 60 days after year-end deferred in 2010	
Public Transportation for Other Than Urbanized Areas	11,053
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	2,234
Interoperable Emergency Communication	36,990
Deferred in 2009, recognized as revenue in 2010	
Public Transportation for Other Than Urbanized Areas	(51,074)
Child Support Enforcement	(29,400)
Foster Care Title IV-E – ARRA	(327)
Homeland Security Grant Program	(63,805)
	(63,805)
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 4,332,722

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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5. Subrecipients

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

CFDA Number	Program Name	Amount Provided to Subrecipients
20.509	Public Transportation for Other Than Urbanized Areas	\$ 202,942
93.003	Public Health and Social Services Emergency Fund	6,491
	Total	\$ 209,433

6. American Recovery and Reinvestment Act

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

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## **STATISTICAL SECTION**

**ISANTI COUNTY  
CAMBRIDGE, MINNESOTA**

**STATISTICAL SECTION**

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the County’s financial performance and well-being have changed over time.	117
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the County’s most significant local revenue source, the property tax.	124
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future.	128
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the County’s financial activities take place.	132
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the County’s financial report relates to the services the County provides and the activities it performs.	135

Sources: Unless otherwise noted, the information in these schedules is derived from the County’s annual financial reports for the relevant year.

TABLE 1

**Isanti County  
Net Assets by Component  
Last Eight Fiscal Years  
(accrual basis of accounting)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 32,920,115	\$ 40,824,860	\$ 43,684,647	\$ 49,603,612	\$ 52,831,962
Restricted	6,509,349	1,652,284	2,028,957	1,833,944	1,948,487
Unrestricted	<u>10,626,045</u>	<u>11,047,829</u>	<u>13,026,708</u>	<u>11,076,393</u>	<u>10,526,608</u>
Total net assets	<u>\$ 50,055,509</u>	<u>\$ 53,524,973</u>	<u>\$ 58,740,312</u>	<u>\$ 62,513,949</u>	<u>\$ 65,307,057</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>		
Governmental activities					
Invested in capital assets, net of related debt	\$ 54,446,421	\$ 56,848,424	\$ 59,519,487		
Restricted	3,400,339	2,644,040	2,541,138		
Unrestricted	<u>8,968,479</u>	<u>10,858,149</u>	<u>9,929,622</u>		
Total net assets	<u>\$ 66,815,239</u>	<u>\$ 70,350,613</u>	<u>\$ 71,990,247</u>		

Notes

- A. Isanti County does not engage in any business-type activities.
- B. Isanti County implemented GASB 34 for the fiscal year ended December 31, 2003. Prior fiscal years were not restated and therefore are not available.

Source: Isanti County's annual financial statements

**Isanti County**  
**Changes in Net Assets**  
**Last Eight Fiscal Years**  
**(accrual basis of accounting)**

**TABLE 2**

	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government	\$ 5,145,333	\$ 5,249,287	\$ 5,491,008	\$ 5,448,844
Public safety	4,830,047	5,125,504	5,015,073	5,884,399
Human services	9,148,791	9,160,593	8,677,376	9,423,712
Highways and streets	2,521,305	1,931,377	3,910,593	2,906,716
Sanitation	13,153	113,336	-	-
Health	1,161,940	1,242,222	1,337,553	1,438,786
Culture and recreation	377,647	427,298	521,885	625,225
Conservation of natural resources	227,573	233,669	241,606	299,708
Economic development	575,209	636,553	744,030	862,950
Interest on long-term debt	331,143	322,900	273,299	365,060
<b>Total expenses</b>	<b>\$ 24,332,141</b>	<b>\$ 24,442,739</b>	<b>\$ 26,212,423</b>	<b>\$ 27,255,400</b>
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 2,068,772	\$ 2,269,199	\$ 1,998,197	\$ 1,465,758
Public safety	608,101	426,281	821,779	675,416
Human services	1,065,621	766,912	532,212	405,709
Other activities	462,273	557,965	695,598	1,056,817
Operating grants and contributions	10,057,744	8,370,562	8,423,376	9,936,564
Capital grants and contributions	1,101,419	1,702,523	2,851,537	2,029,510
<b>Total program revenues</b>	<b>\$ 15,363,930</b>	<b>\$ 14,093,442</b>	<b>\$ 15,322,699</b>	<b>\$ 15,569,774</b>
<b>Net (expense)/revenue</b>	<b>\$ (8,968,211)</b>	<b>\$ (10,349,297)</b>	<b>\$ (10,889,724)</b>	<b>\$ (11,685,626)</b>
<b>General revenues and other changes in net assets</b>				
Governmental activities:				
Property taxes	\$ 9,601,392	\$ 10,328,885	\$ 11,195,225	\$ 11,780,833
Mortgage registry and deed tax	89,626	91,342	55,737	35,237
Other taxes	2,202	348	8,271	67
Payments in lieu of tax	31,409	60,789	33,691	96,433
Unrestricted grants and contributions	3,422,673	3,001,600	2,902,096	2,969,987
Investment earnings	249,120	329,323	354,817	550,972
Miscellaneous	11,454	6,474	6,781	25,734
<b>Total general revenues</b>	<b>\$ 13,407,876</b>	<b>\$ 13,818,761</b>	<b>\$ 14,556,618</b>	<b>\$ 15,459,263</b>
<b>Change in net assets</b>	<b>\$ 4,439,665</b>	<b>\$ 3,469,464</b>	<b>\$ 3,666,894</b>	<b>\$ 3,773,637</b>

**Notes**

- A. Isanti County does not engage in any business-type activities.  
B. Isanti County implemented GASB 34 for the fiscal year ended December 31, 2003. Prior fiscal years were not restated and therefore are not available.

Source: Isanti County's annual financial statements

**TABLE 2**  
**(Continued)**

	2007	2008	2009	2010
\$	6,025,655	\$ 6,620,404	\$ 6,591,869	\$ 6,767,121
	6,511,479	7,082,556	7,094,295	7,142,537
	11,106,826	11,613,036	11,084,262	10,594,462
	3,282,783	3,565,275	3,299,519	4,106,582
	-	-	-	-
	1,107,556	1,354,755	1,216,814	1,250,008
	659,006	622,107	643,483	645,831
	267,419	314,305	235,756	199,123
	944,630	1,116,949	1,167,543	1,141,796
	383,033	401,745	394,573	364,800
\$	<u>30,288,387</u>	<u>\$ 32,691,132</u>	<u>\$ 31,728,114</u>	<u>\$ 32,212,260</u>
\$	1,702,688	\$ 1,797,427	\$ 1,292,802	\$ 1,290,686
	925,642	811,549	664,955	547,551
	676,303	534,788	824,407	788,526
	887,282	653,974	510,296	403,804
	11,049,266	11,357,076	11,633,272	11,773,796
	1,514,686	1,823,365	2,649,333	1,814,223
\$	<u>16,755,867</u>	<u>\$ 16,978,179</u>	<u>\$ 17,575,065</u>	<u>\$ 16,618,586</u>
\$	<u>(13,532,520)</u>	<u>\$ (15,712,953)</u>	<u>\$ (14,153,049)</u>	<u>\$ (15,593,674)</u>
\$	12,573,581	\$ 13,852,738	\$ 14,260,397	\$ 14,375,278
	17,451	90,762	22,296	20,400
	15	17	-	-
	97,020	96,400	101,345	100,207
	2,960,026	2,724,515	3,030,663	2,571,256
	664,535	456,703	273,722	166,167
	13,000	-	-	-
\$	<u>16,325,628</u>	<u>\$ 17,221,135</u>	<u>\$ 17,688,423</u>	<u>\$ 17,233,308</u>
\$	<u>2,793,108</u>	<u>\$ 1,508,182</u>	<u>\$ 3,535,374</u>	<u>\$ 1,639,634</u>

**Isanti County**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

**TABLE 3**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General fund				
Reserved	\$ 577,333	\$ 774,265	\$ 805,414	\$ 469,233
Unreserved	<u>4,452,879</u>	<u>4,929,957</u>	<u>5,036,106</u>	<u>5,135,143</u>
Total general fund	<u>\$ 5,030,212</u>	<u>\$ 5,704,222</u>	<u>\$ 5,841,520</u>	<u>\$ 5,604,376</u>
All other governmental funds				
Reserved	\$ 6,908,762	\$ 1,421,479	\$ 901,575	\$ 1,027,125
Unreserved, reported in:				
Special revenue funds	2,039,773	2,687,517	4,152,715	4,557,513
Debt service fund	711,131	682,837	1,106,176	923,407
Capital projects fund	<u>370,973</u>	<u>318,292</u>	<u>2,350,554</u>	<u>944,222</u>
Total all other governmental funds	<u>\$ 10,030,639</u>	<u>\$ 5,110,125</u>	<u>\$ 8,511,020</u>	<u>\$ 7,452,267</u>

Source: Isanti County's annual financial statements

**TABLE 3**  
**(Continued)**

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 818,218	\$ 963,218	\$ 883,150	\$ 1,020,160	\$ 1,119,923	\$ 1,197,942
<u>5,082,859</u>	<u>4,641,755</u>	<u>3,722,239</u>	<u>3,655,617</u>	<u>3,218,112</u>	<u>4,004,329</u>
<u>\$ 5,901,077</u>	<u>\$ 5,604,973</u>	<u>\$ 4,605,389</u>	<u>\$ 4,675,777</u>	<u>\$ 4,338,035</u>	<u>\$ 5,202,271</u>
\$ 1,035,266	\$ 954,317	\$ 786,628	\$ 572,194	\$ 818,083	\$ 1,344,227
5,151,032	6,138,638	5,501,822	5,439,472	5,909,472	4,831,556
1,161,822	1,049,618	1,232,621	1,352,409	1,390,366	1,418,813
<u>48,495</u>	<u>(921,297)</u>	<u>(490,888)</u>	<u>1,150,837</u>	<u>270,875</u>	<u>146,545</u>
<u>\$ 7,396,615</u>	<u>\$ 7,221,276</u>	<u>\$ 7,030,183</u>	<u>\$ 8,514,912</u>	<u>\$ 8,388,796</u>	<u>\$ 7,741,141</u>

**Isanti County**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

**TABLE 4**

	2001	2002	2003	2004
<b>Revenues</b>				
Taxes	\$ 9,739,393	\$ 8,893,377	\$ 9,671,669	\$ 10,420,993
Special assessments	-	-	-	-
Licenses and permits	438,615	601,015	649,094	669,271
Intergovernmental	11,664,272	16,492,300	13,676,214	13,394,848
Charges for services	1,237,898	1,519,527	1,647,093	1,482,161
Fines and forfeits	270,128	240,591	234,082	269,065
Gifts and contributions	30,562	51,238	94,330	147,535
Investment earnings	741,348	473,473	249,120	329,323
Miscellaneous	1,496,342	1,556,683	2,512,619	1,602,947
<b>Total revenues</b>	<b>\$ 25,618,558</b>	<b>\$ 29,828,204</b>	<b>\$ 28,734,221</b>	<b>\$ 28,316,143</b>
<b>Expenditures</b>				
General government	\$ 4,185,531	\$ 4,612,223	\$ 4,881,832	\$ 5,040,806
Public safety	4,108,467	4,493,739	4,625,076	5,045,893
Highways and streets	3,167,158	5,608,066	4,066,247	4,039,828
Sanitation	436,598	411,886	13,153	103,496
Human services	9,237,114	9,583,906	9,131,407	9,132,197
Health	963,163	1,133,080	1,161,940	1,242,222
Culture and recreation	55,046	195,754	95,574	146,570
Conservation of natural resources	273,200	281,148	226,194	232,290
Economic development	619,607	561,786	575,209	646,513
Unallocated	44,849	-	-	-
Intergovernmental	230,307	263,711	511,610	503,537
Capital outlay	28,592	50,865	667,813	3,699,549
Debt service				
Principal	1,188,595	6,334,015	1,639,573	775,000
Interest	809,927	569,377	314,832	414,411
Other charges	-	-	36,876	28,944
<b>Total expenditures</b>	<b>\$ 25,348,154</b>	<b>\$ 34,099,556</b>	<b>\$ 27,947,336</b>	<b>\$ 31,051,256</b>
Excess of revenues over (under) expenditures	\$ 270,404	\$ (4,271,352)	\$ 786,885	\$ (2,735,113)
<b>Other financing sources (uses)</b>				
Transfers in	\$ 3,153	\$ 1,787	\$ 444,939	\$ 679,572
Transfers out	(3,153)	(1,787)	(444,939)	(679,572)
Bonds issued	621,720	-	2,770,000	1,400,000
Premium on bonds issued	-	-	-	557
Discount on bonds issued	-	-	(39,652)	(13,443)
Payment to refunded bond escrow agent	-	-	-	-
Notes issued	-	-	-	-
Sale of capital assets	-	-	-	3,656
<b>Total other financing sources (uses)</b>	<b>\$ 621,720</b>	<b>\$ -</b>	<b>\$ 2,730,348</b>	<b>\$ 1,390,770</b>
<b>Net change in fund balances</b>	<b>\$ 892,124</b>	<b>\$ (4,271,352)</b>	<b>\$ 3,517,233</b>	<b>\$ (1,344,343)</b>
Debt service as a percentage of noncapital expenditures	7.95%	20.66%	8.05%	5.08%

Source: Isanti County's annual financial statements

**TABLE 4**  
**(Continued)**

	2005	2006	2007	2008	2009	2010
\$	11,308,110	\$ 11,729,027	\$ 12,406,125	\$ 13,802,898	\$ 14,266,769	\$ 14,458,513
	-	2,236	10,655	1,462	1,424	10,995
	711,245	510,976	487,477	347,250	268,812	235,424
	13,352,203	16,634,510	15,156,140	16,015,507	15,632,755	16,991,678
	1,794,946	2,045,560	1,950,031	1,833,989	1,676,021	1,888,125
	339,462	121,302	86,811	66,991	86,378	117,371
	30,656	126,326	174,306	119,266	244,308	219,145
	354,817	550,972	664,535	456,703	273,722	166,167
	1,115,888	1,203,521	1,662,418	1,403,640	1,613,381	1,168,041
\$	<u>29,007,327</u>	<u>\$ 32,924,430</u>	<u>\$ 32,598,498</u>	<u>\$ 34,047,706</u>	<u>\$ 34,063,570</u>	<u>\$ 35,255,459</u>
\$	5,305,942	\$ 5,353,483	\$ 6,141,306	\$ 6,189,568	\$ 6,108,063	\$ 6,289,752
	5,159,033	5,444,616	6,475,597	6,794,529	6,496,230	6,945,759
	4,586,393	6,320,139	5,005,557	5,177,821	5,344,762	6,583,903
	585	-	-	-	-	-
	8,700,846	9,656,824	11,004,697	11,410,550	11,161,787	10,761,571
	1,340,376	1,434,575	1,095,877	1,308,310	1,185,350	1,222,913
	205,655	257,041	1,394,436	252,332	317,621	245,272
	241,606	299,845	266,860	310,719	232,374	197,787
	662,598	774,164	990,885	1,205,384	1,208,924	1,061,383
	-	-	-	-	-	-
	496,878	535,697	364,882	587,215	603,628	615,399
	1,409,906	2,463,789	1,781,718	400,090	761,122	619,425
	315,000	550,000	1,063,351	715,000	775,000	805,000
	359,338	364,696	366,145	343,909	420,853	372,340
	3,107	3,126	84,900	45,977	2,307	28,319
\$	<u>28,787,263</u>	<u>\$ 33,457,995</u>	<u>\$ 36,036,211</u>	<u>\$ 34,741,404</u>	<u>\$ 34,618,021</u>	<u>\$ 35,748,823</u>
\$	<u>220,064</u>	<u>\$ (533,565)</u>	<u>\$ (3,437,713)</u>	<u>\$ (693,698)</u>	<u>\$ (554,451)</u>	<u>\$ (493,364)</u>
\$	-	\$ 426,817	\$ 447,021	\$ 666,842	\$ 2,521	\$ 1,402,208
	-	(426,817)	(447,021)	(666,842)	(2,521)	(1,402,208)
	-	-	5,945,000	2,155,000	-	-
	-	-	8,220	36,730	-	-
	-	-	-	-	-	-
	-	-	(3,771,649)	-	-	-
	-	-	-	-	-	680,000
	8,037	-	-	-	-	-
\$	<u>8,037</u>	<u>\$ -</u>	<u>\$ 2,181,571</u>	<u>\$ 2,191,730</u>	<u>\$ -</u>	<u>\$ 680,000</u>
\$	<u>228,101</u>	<u>\$ (533,565)</u>	<u>\$ (1,256,142)</u>	<u>\$ 1,498,032</u>	<u>\$ (554,451)</u>	<u>\$ 186,636</u>
	2.68%	3.47%	5.10%	3.61%	4.00%	3.93%

(Unaudited)

**Isanti County**  
**Net Tax Capacity and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

**TABLE 5**

Net Tax Capacity									
Real Property									
Payable Year	Residential Homestead	Agricultural	Commercial & Industrial	Other	Personal Property	Total Net Tax Capacity	Taxable Market Value	Ratio of Net Tax Capacity to Taxable Market Value	Total Direct Tax Rate
2001	\$ 9,386,899	\$ 3,486,830	\$ 2,931,535	\$ 980,959	\$ 395,802	\$ 17,182,025	\$ 1,331,888,500	1.29%	54.317
2002	8,914,450	3,526,303	1,949,277	882,714	281,733	15,554,477	1,502,306,800	1.04%	64.354
2003	10,368,611	3,928,276	2,276,902	980,349	304,340	17,858,478	1,724,082,605	1.04%	61.193
2004	12,161,584	4,545,080	2,599,042	1,252,743	331,804	20,890,253	2,018,201,200	1.04%	56.535
2005	14,396,388	4,804,759	2,983,242	1,999,613	369,334	24,553,336	2,375,005,700	1.03%	50.811
2006	16,732,654	5,502,141	3,420,324	2,485,818	398,387	28,539,324	2,766,434,000	1.03%	46.035
2007	18,785,795	6,169,088	3,765,846	3,085,681	498,977	32,305,387	3,132,883,700	1.03%	43.274
2008	20,079,560	6,737,033	4,001,038	3,703,253	550,122	35,071,006	3,409,144,200	1.03%	43.165
2009	20,435,840	7,008,961	4,443,017	4,083,918	552,634	36,524,370	3,569,260,500	1.02%	42.418
2010	19,447,124	7,673,268	4,146,073	4,658,614	557,272	36,482,351	3,578,194,100	1.02%	42.629

Notes

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

B. Total net tax capacity includes tax increment amounts.

Source: Isanti County Auditor-Treasurer's Office

**TABLE 6**

**Isanti County  
Property Tax Rates -  
Direct and Overlapping Governments  
Last Ten Fiscal Years**

Fiscal Year	Isanti County					Overlapping Rates - Average Rates Within Each Classification			Average Total Direct and Overlapping Rate
	General	Human Services	Road and Bridge	Debt Service	Total County	Cities and Townships	School Districts	Special Districts	
2001	29.409	15.553	5.762	3.593	54.317	25.400	57.495	0.263	137.475
2002	35.588	18.213	6.603	3.950	64.354	36.049	34.030	0.569	135.002
2003	34.356	17.227	6.084	3.526	61.193	34.502	33.205	1.774	130.674
2004	31.654	16.276	5.518	3.087	56.535	31.038	28.733	0.451	116.757
2005	29.027	13.526	5.052	3.206	50.811	28.560	28.041	0.139	107.551
2006	26.393	12.003	4.595	3.044	46.035	26.792	26.829	3.160	102.816
2007	24.613	10.877	4.695	3.089	43.274	25.571	25.779	1.494	96.118
2008	25.265	9.512	5.363	3.025	43.165	25.683	25.421	1.728	95.997
2009	23.168	10.862	5.313	3.075	42.418	25.592	25.995	1.327	95.332
2010	24.476	10.076	5.009	3.068	42.629	25.753	28.027	0.770	97.179
Tax Year 2010									
Number of taxing districts						18	9	2	
Minimum tax capacity rate						12.000	15.999	0.156	
Maximum tax capacity rate						63.309	41.110	1.383	

Notes

- A. Amounts shown above are tax capacity based rates. The rates are calculated by dividing a taxing district's property tax levy by its net tax capacity.
- B. "Special Districts" include Intermediate School District #916 (through 2006), the East Central Regional Development Commission, and lake improvement districts.
- C. Overlapping rates are those of other local governments that apply to property owners within Isanti County. Not all overlapping rates apply to all Isanti County property owners (e.g. the rates for special districts apply only to the portion of the County's property owners whose property is located within the geographic boundaries of the special district). Due to the numerous combinations of cities, schools, and special districts within the County, the average rate among all taxing districts within each class is presented instead of the total overlapping rate for each combination.

Source: Isanti County Auditor-Treasurer's Office

**Isanti County  
Principal Property Taxpayers  
Current Year and Nine Years Ago**

**TABLE 7**

2010			2001		
Taxpayer	Net Tax Capacity	Percentage of Total County Net Tax Capacity	Taxpayer	Net Tax Capacity	Percentage of Total County Net Tax Capacity
Great River Energy	\$ 283,121	0.78%	East Central Energy	\$ 170,682	0.99%
Wal-Mart Real Estate Business Trust	205,712	0.56%	United Power Association	145,684	0.85%
Menards Inc.	196,060	0.54%	Wal-Mart Stores, Inc.	127,109	0.74%
East Central Energy	172,304	0.47%	Cambridge Metals & Plastics	112,251	0.65%
Target Corporation	140,676	0.39%	Memorial Hospital Association of Cambridge	91,966	0.54%
Lakeland Construction Finance LLC	103,381	0.28%	Allina Medical Group	88,354	0.51%
United Power Association	90,316	0.25%	Minnesota Intrastate Transportation System	84,524	0.49%
LAAM Properties	75,384	0.21%	Motek Engineering & Manufacturing Co.	79,967	0.47%
Allina Medical Clinic	69,555	0.19%	Burlington Northern Sante Fe Railroad	74,982	0.44%
Isanti Village Apartments LLC	67,936	0.19%	Arrow Tank & Engineering Co.	73,024	0.43%
Total principal taxpayers	\$ 1,404,445	3.85%	Total principal taxpayers	\$ 1,048,543	6.10%
All other taxpayers	35,077,906	96.15%	All other taxpayers	16,133,482	93.90%
Total	<u>\$ 36,482,351</u>	<u>100.00%</u>	Total	<u>\$ 17,182,025</u>	<u>100.00%</u>

Source: Isanti County Auditor-Treasurer's Office

(Unaudited)

**Isanti County  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

**TABLE 8**

Fiscal Year	Total Net Tax Levy	Collected in Year of Levy	Percent of Levy Collected in Year of Levy	Collected in Subsequent Years	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2001	\$ 9,134,962	\$ 8,864,151	97.04%	\$ 269,235	\$ 9,133,386	99.98%	\$ 1,576	0.02%
2002	9,901,872	9,671,570	97.67%	228,612	9,900,182	99.98%	1,690	0.02%
2003	10,794,578	10,551,346	97.75%	241,240	10,792,586	99.98%	1,992	0.02%
2004	11,642,555	11,388,697	97.82%	250,902	11,639,599	99.97%	2,956	0.03%
2005	12,295,435	12,000,081	97.60%	287,041	12,287,122	99.93%	8,313	0.07%
2006	12,966,766	12,550,950	96.79%	399,558	12,950,508	99.87%	16,258	0.13%
2007	13,782,283	13,283,278	96.38%	458,214	13,741,492	99.70%	40,791	0.30%
2008	14,876,597	14,222,816	95.61%	535,279	14,758,095	99.20%	118,502	0.80%
2009	15,322,895	14,734,167	96.16%	379,638	15,113,805	98.64%	209,090	1.36%
2010	15,368,864	14,901,987	96.96%	-	14,901,987	96.96%	466,877	3.04%

Source: Isanti County Auditor-Treasurer's Office

(Unaudited)

**Isanti County**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

**TABLE 9**

Fiscal Year	Governmental Activities			Total Debt	Total Debt Per Capita	Percentage of Personal Income
	General Obligation Bonds	General Obligation Notes	Capital Lease			
2001	\$ 1,990,000	\$ -	\$ 11,860,000	\$ 13,850,000	\$ 428	1.49%
2002	1,585,000	-	5,965,000	7,550,000	224	0.77%
2003	2,970,000	-	5,740,000	8,710,000	247	0.85%
2004	3,815,000	-	5,520,000	9,335,000	256	0.85%
2005	3,765,000	-	5,255,000	9,020,000	239	0.79%
2006	3,710,000	-	4,760,000	8,470,000	220	0.70%
2007	9,580,000	-	-	9,580,000	246	0.75%
2008	11,020,000	-	-	11,020,000	282	0.84%
2009	10,245,000	-	-	10,245,000	262	0.79%
2010	9,440,000	680,000	-	10,120,000	268	n/a

n/a - Information is not yet available as of publication date.

Note

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

Source: Isanti County Auditor-Treasurer's Office

**Isanti County**  
**Ratio of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

**TABLE 10**

Fiscal Year	General Obligation Bonds and Notes	Capital Lease	Total Gross General Bonded Debt	Less: Amounts in Debt Service Fund	Total Net General Bonded Debt	Percentage of Net Bonded Debt to Estimated Actual Value of Taxable Property	Total Net Bonded Debt Per Capita
2001	\$ 1,990,000	\$ 11,860,000	\$ 13,850,000	\$ 7,302,304	\$ 6,547,696	0.49%	\$ 203
2002	1,585,000	5,965,000	7,550,000	1,485,790	6,064,210	0.40%	180
2003	2,970,000	5,740,000	8,710,000	1,607,429	7,102,571	0.41%	201
2004	3,815,000	5,520,000	9,335,000	1,425,766	7,909,234	0.39%	217
2005	3,765,000	5,255,000	9,020,000	1,668,455	7,351,545	0.31%	195
2006	3,710,000	4,760,000	8,470,000	1,559,827	6,910,173	0.25%	180
2007	9,580,000	-	9,580,000	1,232,621	8,347,379	0.27%	215
2008	11,020,000	-	11,020,000	1,352,409	9,667,591	0.28%	248
2009	10,245,000	-	10,245,000	1,390,366	8,854,634	0.25%	226
2010	10,120,000	-	10,120,000	1,418,813	8,701,187	0.24%	230

n/a - Information is not yet available as of publication date.

Source: Isanti County Auditor-Treasurer's Office

**Isanti County**  
**Computation of Direct and Overlapping Debt**  
**As of December 31, 2010**

**TABLE 11**

<u>Governmental Unit</u>	<u>General Obligation Debt Outstanding<sup>1</sup></u>	<u>Percentage of Tax Capacity in Isanti County<sup>2</sup></u>	<u>General Obligation Debt Applicable to Isanti County</u>
Direct			
Isanti County	\$ 10,120,000	100.00%	\$ 10,120,000
Overlapping			
City of Braham	\$ 3,110,740	99.96%	\$ 3,109,625
City of Cambridge	22,154,191	100.00%	22,154,191
City of Isanti	18,129,458	100.00%	18,129,458
Town of North Branch	300,000	100.00%	300,000
Independent School District #15	44,585,000	7.67%	3,418,079
Independent School District #138	41,325,000	10.04%	4,149,699
Independent School District #314	9,305,000	53.73%	4,999,297
Independent School District #332	3,195,000	0.01%	383
Independent School District #333	3,725,000	6.17%	229,702
Independent School District #477	25,410,000	16.00%	4,066,289
Independent School District #728	329,355,000	0.01%	18,451
Independent School District #911	80,470,000	96.82%	77,908,393
Independent School District #912	23,680,000	0.59%	139,761
Total overlapping	\$ 604,744,389		\$ 138,623,328
Total direct and overlapping debt	\$ 614,864,389		\$ 148,743,328

Source: 1) County Report of Outstanding Indebtedness and 2) Isanti County Auditor-Treasurer's Office

(Unaudited)

**TABLE 12**

**Isanti County  
Legal Debt Margin Information  
Last Ten Fiscal Years**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total market value of taxable property	\$ 1,331,888,500	\$ 1,502,164,000	\$ 1,724,082,600	\$ 2,018,201,200	\$ 2,375,005,700
Debt limit**	\$ 26,637,770	\$ 30,043,280	\$ 34,481,652	\$ 40,364,024	\$ 47,500,114
Debt applicable to limit					
General obligation bonds and notes	\$ 13,850,000	\$ 7,550,000	\$ 8,710,000	\$ 9,335,000	\$ 9,020,000
Less: amounts set aside for repayment of general obligation debt	<u>(7,302,304)</u>	<u>(1,485,790)</u>	<u>(1,607,429)</u>	<u>(1,425,766)</u>	<u>(1,668,455)</u>
Total net debt applicable to the limit	\$ 6,547,696	\$ 6,064,210	\$ 7,102,571	\$ 7,909,234	\$ 7,351,545
Legal debt margin	<u>\$ 20,090,074</u>	<u>\$ 23,979,070</u>	<u>\$ 27,379,081</u>	<u>\$ 32,454,790</u>	<u>\$ 40,148,569</u>
Total debt applicable to the limit as a percentage of debt limit	24.58%	20.18%	20.60%	19.59%	15.48%
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total market value of taxable property	\$ 2,766,434,000	\$ 3,132,883,700	\$ 3,409,144,200	\$ 3,569,260,500	\$ 3,578,194,100
Debt limit**	\$ 55,328,680	\$ 62,657,674	\$ 102,274,326	\$ 107,077,815	\$ 107,345,823
Debt applicable to limit					
General obligation bonds and notes	\$ 8,470,000	\$ 9,580,000	\$ 11,020,000	\$ 10,245,000	\$ 10,120,000
Less: amounts set aside for repayment of general obligation debt	<u>(1,559,827)</u>	<u>(1,232,621)</u>	<u>(1,352,409)</u>	<u>(1,390,366)</u>	<u>(1,418,813)</u>
Total net debt applicable to the limit	\$ 6,910,173	\$ 8,347,379	\$ 9,667,591	\$ 8,854,634	\$ 8,701,187
Legal debt margin	<u>\$ 48,418,507</u>	<u>\$ 54,310,295</u>	<u>\$ 92,606,735</u>	<u>\$ 98,223,181</u>	<u>\$ 98,644,636</u>
Total debt applicable to the limit as a percentage of debt limit	12.49%	13.32%	9.45%	8.27%	8.11%

Note

\*\* - During 2008, the State of Minnesota legislature changed the statutory debt limit from 2% of market value to 3% of taxable market value.

Source: Isanti County Auditor-Treasurer's Office

(Unaudited)

**Isanti County  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

**TABLE 13**

<u>Year</u>	<u>Population<sup>1</sup></u>	<u>Population Growth</u>	<u>Personal Income<sup>2</sup> (in thousands)</u>	<u>Per Capita Personal Income<sup>2</sup></u>	<u>Unemployment Rates<sup>3</sup></u>		
					<u>Isanti County</u>	<u>State of Minnesota</u>	<u>United States</u>
2001	32,332	3.34%	928,149	28,447	4.30%	3.80%	4.70%
2002	33,757	4.41%	974,882	28,879	5.30%	4.50%	5.80%
2003	35,321	4.63%	1,021,493	28,989	5.70%	4.90%	6.00%
2004	36,512	3.37%	1,093,100	30,160	5.20%	4.60%	5.60%
2005	37,699	3.25%	1,137,601	30,573	4.90%	4.20%	5.10%
2006	38,436	1.95%	1,214,850	31,826	4.90%	4.00%	4.60%
2007	38,881	1.16%	1,281,551	32,936	6.00%	4.60%	4.60%
2008	39,059	0.46%	1,311,383	33,443	7.00%	5.40%	5.80%
2009	39,176	0.30%	1,295,216	32,838	10.30%	8.00%	9.30%
2010	37,816	-3.47%	n/a	n/a	8.80%	7.30%	9.60%

n/a - Information is not yet available as of publication date

Sources: 1) Minnesota State Demographic Center (2001-2009) and U.S. Census Bureau (2010), 2) U.S. Department of Commerce - Bureau of Economic Analysis, and 3) Minnesota Department of Employment and Economic Development

**Isanti County  
Principal Employers  
Current Year and Seven Years Ago**

**TABLE 14**

2010			2003		
Employer <sup>1</sup>	Estimated Number of Employees <sup>1</sup>	Estimated Percentage of Total County Employment	Employer <sup>1</sup>	Estimated Number of Employees <sup>1</sup>	Estimated Percentage of Total County Employment
Cambridge Medical Center	880	4.37%	Cambridge Medical Center	930	5.91%
I.S.D. No. 911	770	3.83%	I.S.D. No. 911	697	4.43%
Grace Pointe Crossing	620	3.08%	Wal-Mart Supercenter	515	3.27%
Wal-Mart Supercenter	410	2.04%	Grandview Christian Home	410	2.61%
Isanti County	271	1.35%	Isanti County	281	1.79%
TEAM Industries Cambridge, Inc.	186	0.92%	TEAM Industries Cambridge, Inc.	240	1.53%
Minnesota Extended Treatment Options	182	0.90%	Cambridge Metals & Plastics Inc.	208	1.32%
East Central Electric Energy	180	0.89%	Cambridge Health Care Center	200	1.27%
Arrow Tank & Engineering Co.	171	0.85%	Minnesota Extended Treatment Options	190	1.21%
Menards	130	0.65%	I.S.D. No. 314	139	0.88%
<b>Total Principal Employers</b>	<b>3,800</b>	<b>18.88%</b>	<b>Total Principal Employers</b>	<b>3,810</b>	<b>24.22%</b>
<b>Total County Employment<sup>2</sup></b>	<b>20,129</b>		<b>Total County Employment<sup>2</sup></b>	<b>15,732</b>	

**Note**

Information for the period nine years prior was not available. As a result, the County is reporting the earliest data available for comparison purposes.

Sources: 1) Bond disclosure document issued during respective year and City of Cambridge Economic Development Department; and 2) Minnesota Department of Employment and Economic Development

**Isanti County  
Percentage of Registered Voters Voting  
Last Ten General Elections**

**TABLE 15**

General Election	Number of Voters	Total Registered Voters	Percentage of Registered Voters Voting
November 3, 1992	13,458	17,677	76.13%
November 8, 1994	10,678	16,459	64.88%
November 5, 1996	13,022	18,025	72.24%
November 3, 1998	13,700	18,630	73.54%
November 7, 2000	15,064	20,365	73.97%
November 5, 2002	15,018	21,024	71.43%
November 2, 2004	19,368	23,439	82.63%
November 7, 2006	14,746	22,892	64.42%
November 4, 2008	20,122	25,277	79.61%
November 2, 2010	14,873	21,560	68.98%

Source: Isanti County Auditor-Treasurer's Office

**Isanti County  
Operating Indicators by Function  
Last Eight Fiscal Years**

**TABLE 16**

Function and program	2003	2004	2005	2006	2007	2008	2009	2010
General government								
Drivers licenses processed	10,821	11,490	11,045	10,834	10,765	11,430	10,670	10,537
Warrants issued	n/a	n/a	n/a	7,883	7,964	7,767	8,918	7,074
Number of parcels	19,583	20,276	20,992	21,890	22,215	22,298	22,378	22,919
Veteran services intake cases	526	567	650	796	706	1,149	1,118	1,253
Veteran medical care applications	n/a	n/a	59	57	38	145	192	188
Public safety								
Physical arrests in County	554	584	664	578	408	476	327	n/a
Applications for permits to carry handguns	n/a	n/a	96	105	103	267	260	159
Adult probation offenders	591	700	892	914	1,155	965	956	849
Juvenile probation offenders	313	271	287	213	202	294	225	202
Highways and streets								
Active road projects	29	35	25	25	23	25	14	24
Health								
Family health referrals	n/a	460	575	527	491	282	198	216
WIC participants	n/a	902	1,131	1,939	2,091	2,325	2,088	2,046
Immunizations provided	n/a	n/a	n/a	746	764	570	341	546
Long-term care clients	n/a	141	137	190	215	219	223	276
Emergency preparedness exercises	n/a	3	6	4	10	12	11	6
Human services								
Intake and crisis calls	n/a	1,412	1,641	1,333	1,605	1,998	n/a	n/a
Food support cases	n/a	3,819	4,883	5,254	5,777	6,873	n/a	n/a

Note

Isanti County could accurately provide only eight years of information for this schedule.

n/a - Information is not available as of publication date.

Source: Various County departments and state agencies

**Isanti County  
Capital Asset Statistics by Function  
Last Eight Fiscal Years**

**TABLE 17**

<u>Function and program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government								
Buildings	1	1	1	1	2	2	2	2
Public safety								
Number of squad cars	23	25	26	26	24	22	22	22
Highways and streets								
Buildings	1	1	1	1	1	1	1	1
Miles	360	360	360	359	359	359	359	359
Economic development								
Number of transit buses	7	7	7	8	9	9	9	8

Note

Isanti County could provide only eight years of information for this schedule.

Source: Isanti County Auditor-Treasurer's Office

**Isanti County  
County Employees by Function and Program  
Last Ten Fiscal Years**

**TABLE 18**

Function and program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Assessor	6	6	6	6	6	6	6	5	5	4
Attorney	12	12	12	12	12	12	12	12	12	12
Auditor-Treasurer	7	8	8	8	10	10	10	13	13	12
Buildings and maintenance	5	6	6	6	7	7	8	8	8	7
Commissioners	5	5	5	5	5	5	5	5	5	5
County administrator	3	3	3	3	3	3	3	3	3	3
Court administration	10	11	11	11	-	-	-	-	-	-
Information systems	2	2	2	2	2	2	2	2	2	2
Recorder	4	4	4	5	4	4	4	4	4	4
Treasurer	3	5	2	3	3	3	3	-	-	-
Veterans services	2	2	2	2	2	2	4	4	4	4
Victim services	2	2	2	2	2	2	2	2	2	2
Zoning	7	7	7	7	7	7	7	5	5	4
Public safety										
Emergency management	1	1	1	1	1	1	1	2	2	2
Probation	9	9	8	10	11	13	13	13	12	13
Sheriff	62	60	62	65	70	71	77	77	75	74
Highways and streets										
Highway	20	21	20	21	20	21	20	21	20	22
Health										
Public health	26	23	21	20	23	23	20	21	20	19
Human services										
Family services	58	57	61	61	64	68	71	71	68	65
Culture and recreation										
Parks and recreation	1	1	1	1	1	2	2	2	3	3
Conservation of natural resources										
Agricultural inspector	1	1	1	1	1	1	1	1	-	-
County extension service	2	1	3	1	1	1	1	1	1	1
Economic development										
Transit	8	8	9	11	11	11	11	12	11	13
<b>Total</b>	<b>256</b>	<b>255</b>	<b>257</b>	<b>264</b>	<b>266</b>	<b>275</b>	<b>283</b>	<b>284</b>	<b>275</b>	<b>271</b>

Notes

- A. The number of employees is based on a count of the number of employees as of December 31 of each year.
- B. The employees in the court administration department became employees of the State of Minnesota on July 1, 2005.
- C. The auditor and treasurer departments were combined on March 1, 2008.

Source: Isanti County Auditor-Treasurer's Office

(Unaudited)

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