

ISANTI



COUNTY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

ISANTI COUNTY
CAMBRIDGE, MINNESOTA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

**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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CAMBRIDGE, MINNESOTA**

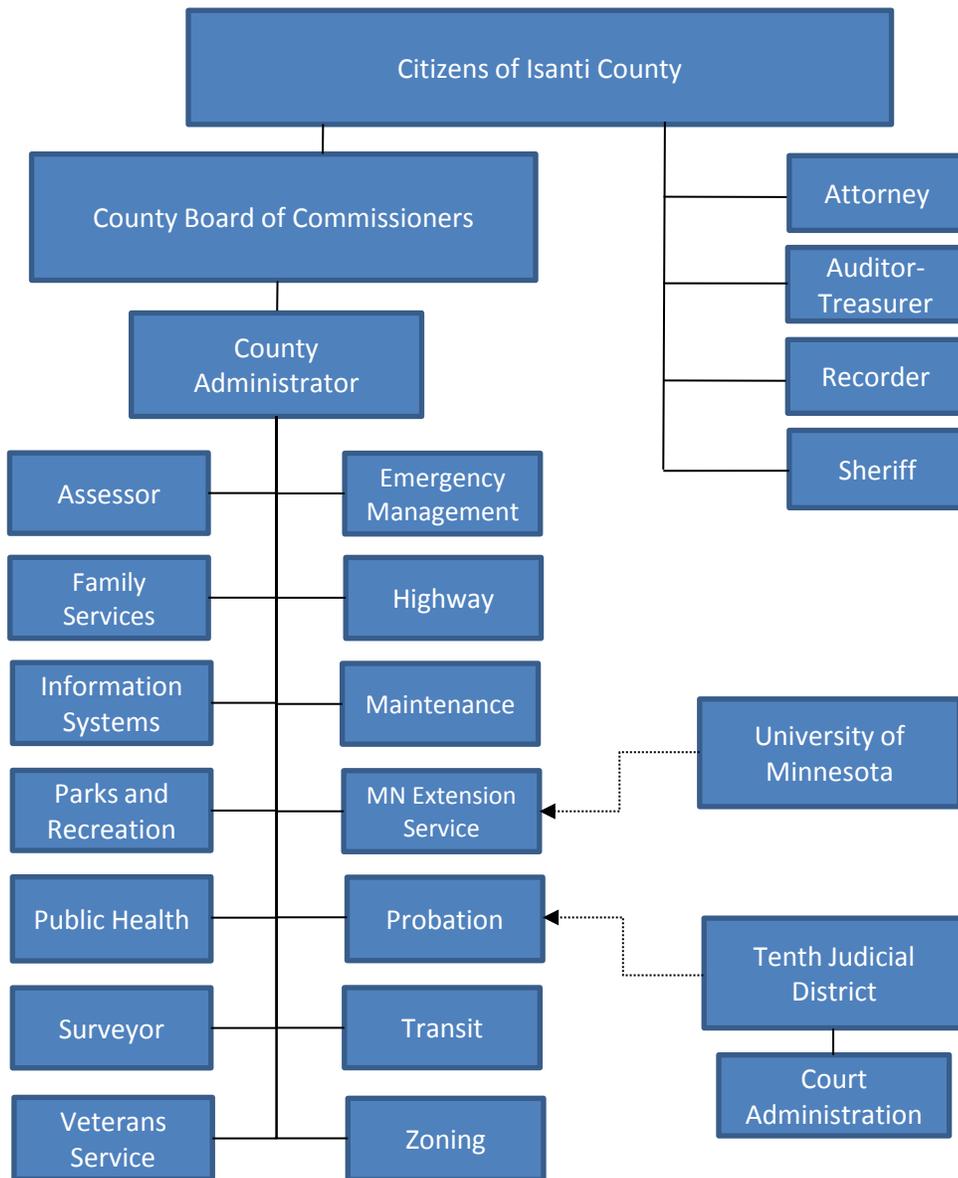
**PRINCIPAL OFFICIALS
DECEMBER 31, 2011**

Office	Name	Term Expires
Elected		
Commissioners		
District 1	George Larson	January 2015
District 2	Larry Southerland**	January 2013
District 3	Alan Duff	January 2013
District 4	Mike Warring	January 2013
District 5	Susan Morris	January 2015
Attorney	Jeffrey R. Edblad	January 2015
Auditor-Treasurer	Terry F. Treichel	January 2015
Recorder/Registrar of Titles	Karen D. Anderson	January 2015
Sheriff	Russ Monson	January 2015
Appointed		
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 2015
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, 2011**





Isanti County Auditor-Treasurer

Terry F. Treichel

Phone (763) 689-1644

(763) 689-1781

Fax (763) 689-8210

Government Center

555 18th Avenue Southwest

Cambridge, Minnesota 55008-9386

DATE: June 27, 2012

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

SUBJECT: 2011 Comprehensive Annual Financial Report

This Comprehensive Annual Financial Report of Isanti County is submitted for the fiscal year ended December 31, 2011. 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 26th 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.

The County Board appoints the 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 commercial properties over the past decade. Recent examples of this commercial development include a 65,000 square foot Kohls department store, a 46,000 square foot National Recycling Inc. facility, and an 18,000 square foot Tractor Supply Company store.

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 few 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 County did adopt a formal fund balance policy during 2011. This policy establishes minimum fund balance levels which will help guide the County's long-term financial planning.

BUDGETARY CONTROL

Budgetary control is maintained at the department level and is subject to periodic review by the County Board.

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 ACHIEVMENT

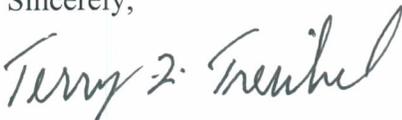
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Isanti County for its comprehensive annual financial report for the fiscal year ended December 31, 2010. This was the third year that the government 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,



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, 2010

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.



Linda C. Danison

President

Jeffrey R. Emer

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, 2011, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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, 2011, 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.

Isanti County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. GASB Statement 54 provides clearer fund balance classifications that can be more consistently applied and clarifies existing governmental fund type definitions.

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 presented 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 21, 2012, 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 21, 2012

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011
(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, 2011. 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 \$73,797,868 at the end of 2011. Of this amount, \$8,827,178 (12.0%) 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 \$1,807,621 during 2011. This is an increase of 2.5% from the previous year's net assets.
- The governmental funds' combined fund balances decreased \$633,033 in 2011 primarily due to the loss of county program aid and reimbursements from the State of Minnesota.
- The County's capital assets increased \$1,849,769 (2.7%) as the County completed construction projects relating to County roads and the installation of an 800 MHz radio system.
- The County's total debt decreased \$835,561 (8.3%) 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, Long Lake Improvement District, and Fannie 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 five individual governmental funds: General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Debt Service Fund, and Capital Projects Fund. Each of these funds is considered a major governmental fund. 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.

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 89 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 93 through 100 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 103 through 117 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 \$73,797,868 at the close of 2011.

Isanti County's Net Assets

	Governmental Activities	
	2011	2010
Current and other assets	\$ 17,396,802	\$ 18,407,795
Capital assets	71,093,936	69,244,167
Total Assets	\$ 88,490,738	\$ 87,651,962
Long-term liabilities	\$ 12,511,723	\$ 12,919,208
Other liabilities	2,181,147	2,742,507
Total Liabilities	\$ 14,692,870	\$ 15,661,715
Net Assets		
Invested in capital assets, net of related debt	\$ 62,259,821	\$ 59,519,487
Restricted	2,710,869	2,541,138
Unrestricted	8,827,178	9,929,622
Total Net Assets	\$ 73,797,868	\$ 71,990,247

The largest portion of Isanti County's net assets, \$62,259,821 (84.4% 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 \$2,710,869 (3.7%) represents resources whose use is restricted by external requirements such as debt covenants and legislation. The unrestricted net asset amount of \$8,827,178 (11.9%) 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 \$1,807,621. This represents a 2.5% increase from the previous year's net assets.

Although overall expenses increased slightly from the previous year, the County experienced decreased expenditures in several areas, particularly general government and human services. The decrease in the general government and human services expenses is partly related to employee furloughs. In 2011, the County implemented a mandatory 24 hour furlough for most employees. The furloughs saved the County approximately \$118,000 in payroll expenses.

The County's revenues also increased slightly from the previous year. The County received a \$287,278 insurance dividend from the Minnesota Counties Intergovernmental Trust. This amount is a significant increase over previous years' dividends and reflects the County's improved workers compensation and property claims experience. The County also received a distribution of \$94,800 for its share of an operating surplus generated by the East Central Solid Waste Commission. In addition to these unforeseen revenues, the County experienced mild increases in operating revenues. For example, permit revenue increased slightly as more building permits were issued due to summer storm damage.

Isanti County's Change in Net Assets

	Governmental Activities	
	2011	2010
Revenues		
Program revenues		
Fees, fines, and charges	\$ 3,255,423	\$ 3,030,567
Operating grants and contributions	12,876,149	11,773,796
Capital grants and contributions	765,625	1,814,223
General revenues		
Property taxes	14,215,049	14,375,278
Other taxes	120,660	120,607
Grants not restricted to specific programs	2,691,364	2,571,256
Investment earnings	185,734	166,167
Gain on sale of capital assets	2,300	-
	\$ 34,112,304	\$ 33,851,894
Expenses		
General government	\$ 6,661,923	\$ 6,767,121
Public safety	7,519,474	7,142,537
Highways and streets	4,109,487	4,106,582
Human services	10,319,979	10,594,462
Health	1,309,613	1,250,008
Culture and recreation	643,122	645,831
Conservation of natural resources	186,696	199,123
Economic development	1,186,538	1,141,796
Interest	367,851	364,800
	\$ 32,304,683	\$ 32,212,260
Increase in Net Assets	\$ 1,807,621	\$ 1,639,634

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, unrestricted fund balance may serve as 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 total combined ending fund balances of \$12,310,379. This is a decrease of \$633,033 (4.9%) in comparison with the prior year. Of the total fund balance, \$1,133,918 (9.2%) is not in spendable form (e.g. inventory) and \$2,853,584 (23.2%) is restricted in its use by external parties. The remaining \$8,322,877 (67.6%) of fund balance is considered unrestricted and available for use as determined by the County.

The General Fund is the chief operating fund of Isanti County. At the end of the current fiscal year, it has an unrestricted fund balance of \$2,966,807, while total fund balance decreased to \$4,298,192. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance and total fund balance to total expenditures. The General Fund unrestricted balance represents 17.4% of total General Fund expenditures, while total fund balance represents 25.2% of the same amount.

The General Fund's total fund balance decreased by \$921,510 (17.7%) during 2011. This decrease is largely the result of legislative action by the State of Minnesota that reduced county program aid and state reimbursements to balance the state's budget. As a result of this action, the state withheld \$745,769 of the County's certified aid and reimbursements. Of that amount, \$436,310 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 4.8% 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 \$223,452 (18.2%) greater in 2011 than in 2010 as premiums increased significantly. Similarly, fuel expenditures increased \$48,648 (26.1%) from the previous year due to increased fuel prices.

In addition to its ongoing operating costs, the County expended \$862,535 from the General Fund on capital acquisitions such as sheriff vehicles and equipment, park improvements, and an outdoor warning siren system. Most of these capital acquisitions were substantially funded through state and federal grant programs. For those capital purchases not funded by grants, the new equipment was necessary to replace older equipment that became expensive to maintain.

The Road & Bridge Special Revenue Fund's unrestricted fund balance of \$997,328 at year end represents 16.2% of the fund's annual expenditures. In 2011, the total fund balance increased \$278,597 (18.0%).

While the County completed several large road projects in 2010, the 2011 projects were generally smaller in scope and cost. As a result, the County expended \$942,490 less on road construction in 2011 than in 2010. This decrease was partially offset by a corresponding decrease in state aid construction reimbursements, which decreased \$845,037 from the previous year. Another factor in the decreased construction expenditures was the completion of a recreational trail between Cambridge and Isanti during 2011. The majority of the construction costs for this one-time project were incurred in 2010.

The Human Services Special Revenue Fund's unrestricted fund balance of \$4,358,742 at year end represents 41.7% of the fund's annual expenditures. In 2011, the total fund balance decreased \$113,453 (2.5%) due primarily to the reduction of state aid and credits. The fund's share of these revenue reductions was \$168,304.

The State of Minnesota's financial challenges are also reflected in the \$478,831 decline in state grant revenue from the previous year. The state reduced funding in several social service program areas including mental health. This decrease in intergovernmental revenue was partially mitigated by \$214,070 in unbudgeted charges for services revenue from insurance companies for case management services. These revenues were previously billed and collected by the state.

The Debt Service Fund had a total fund balance of \$1,460,721 at year end. In 2011, the fund balance increased \$41,908 (3.0%). 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 \$305,627 at year end. In 2011, the fund balance increased \$81,425 due to the receipt of grants to cover a significant portion of the 800 MHz radio system costs. The County received \$216,733 in state grants and \$36,990 in federal grants to pay the remaining costs on the project. The remaining fund balance in the Capital Projects Fund will potentially be used for future upgrades and expansions to the public safety communication systems.

General Fund Budgetary Highlights

During 2011, there was a \$615,446 increase in appropriations between the original and final amended budget. The largest increase in appropriations was made to the Parks department for significant capital improvements to various County parks. Also, a significant increase in appropriations was granted to the Emergency Management department for a severe weather notification system. The County received additional state and federal grant revenue to finance these projects, which contributed to an increase to the revenue budget of \$560,885. Other

increases in appropriations during 2011 represented prior years' unspent funds carried over to fund various Veteran Service projects as well as the replacement cost for a Sheriff department vehicle.

The General Fund's actual revenues fell short of budgeted amounts by \$1,144,120 in 2011. This is primarily due to a number of factors outside of the County's control. For example, the County received \$279,694 less than expected in prisoner boarding fees after the state withdrew its inmates from the County's jail. Also, the County's actual interest earnings were \$114,266 less than budgeted amounts as the result of continued low interest rates. Finally, the aforementioned loss of county program aid and market value credit reimbursement 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 2011, the General Fund's actual expenditures were \$553,441 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 has delayed most capital equipment purchases except those funded by grants or deemed essential to providing services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Isanti County's investment in capital assets for its governmental activities at December 31, 2011, totaled \$71,093,936 (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 \$1,849,769 (2.7%) from the previous year.

Isanti County's Capital Assets (net of depreciation)

	Governmental Activities	
	2011	2010
Land	\$ 4,821,553	\$ 4,556,338
Buildings	13,219,262	13,700,651
Improvements other than buildings	515,681	214,939
Machinery, furniture, and equipment	3,271,409	2,605,443
Infrastructure	49,179,244	47,548,779
Construction in progress	86,787	618,017
Total	\$ 71,093,936	\$ 69,244,167

In 2011, the major capital asset events included the following:

- The County completed the acquisition and installation of an 800 MHz radio system in 2011. The system will greatly improve public safety communication throughout the County. The County spent \$607,176 on the project.
- The County completed road construction projects at a cost of \$3,167,888, including related right-of-way purchases.
- The County expended \$318,970 on park improvements including a boardwalk at Irving and John Anderson County Park and a picnic shelter and fishing pier at Vegsund Family County Park. These projects were primarily funded through state grants.

Additional information on the County’s capital assets can be found in Note 3.A.3 to the financial statements on pages 62 and 63 of this report.

Long-Term Debt

At the end of 2011, Isanti County had total outstanding bonded debt of \$9,286,874 which was backed by the full faith, credit, and taxing powers of the County.

Isanti County’s Outstanding Debt

	Governmental Activities	
	2011	2010
General obligation bonds and notes, net	\$ 9,286,874	\$ 10,122,435

The County’s outstanding debt decreased \$835,561 (8.3%) during 2011. The major debt-related transactions were continued debt service payments on its general obligation bonds and notes. The debt service payments included \$835,000 in principal and \$353,657 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 71 through 73 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

- The County’s population growth has slowed significantly in the last few years 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.

- As indicated previously, the State of Minnesota is dealing with a significant budget deficit over the next several years. In the last four years, the state has withheld over \$1,960,000 in promised state program aid and credits. Further cuts to county program aid and credits are anticipated in the future.
- The County's average unemployment rate for 2011 was 8.1%, which is a decrease from the rate of 9.2% a year ago. This compares unfavorably to the state's average unemployment rate of 6.4%, but is an improvement on the national average rate of 8.9%.

All of these factors were considered in preparing the County's budget for the 2012 fiscal year.

On December 21, 2011, the Isanti County Board of Commissioners approved the 2012 budget in the amount of \$36,401,860. This budget included a net property tax levy of \$15,476,446, which is the same as the previous year's levy.

The 2012 budget reflects a slight increase in total expenditures, particularly in highways and streets. This increase in highway and streets expenditures is largely offset by additional highway user tax revenue from the State of Minnesota. Most other County programs are expected to have minimal increases from the previous year. The County also anticipates using \$471,800 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 delays in filling vacant positions and voluntary employee furloughs, to minimize the amount of fund balance used in 2012.

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, 2011**

<u>Assets</u>	<u>Primary Government Governmental Activities</u>	<u>Discretely Presented Component Units</u>
Cash and pooled investments	\$ 11,554,034	\$ 164,067
Petty cash and change funds	3,900	-
Departmental cash	26,261	-
Taxes receivable		
Prior - net	858,402	271
Special assessments receivable		
Prior - net	-	3,542
Accounts receivable - net	217,733	-
Accrued interest receivable	34,366	-
Due from other governments	3,136,057	-
Leases receivable		
Due within one year - net	105,474	-
Due in more than one year - net	154,072	-
Loans receivable		
Due within one year - net	11,465	-
Due in more than one year - net	40,077	-
Inventories	812,783	-
Prepaid items	317,800	13
Advances to component units	3,335	-
Deferred charges	121,043	-
Capital assets		
Non-depreciable	4,908,340	-
Depreciable - net of accumulated depreciation	66,185,596	39,739
Total Assets	\$ 88,490,738	\$ 207,632

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, 2011**

	Primary Government Governmental Activities	Discretely Presented Component Units
<u>Liabilities</u>		
Accounts payable	\$ 398,648	\$ 454
Salaries payable	586,888	-
Due to other governments	471,052	-
Contracts payable	147,194	-
Accrued interest payable	141,849	-
Deposits held for others	5,623	-
Unearned revenue	429,893	-
Advances from primary government	-	3,335
Long-term liabilities		
Due within one year	1,699,210	-
Due in more than one year	10,812,513	-
	\$ 14,692,870	\$ 3,789
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 62,259,821	\$ 39,739
Restricted for		
General government	929,162	-
Public safety	158,074	-
Debt service	1,318,006	-
Capital projects	305,627	-
Unrestricted	8,827,178	164,104
	\$ 73,797,868	\$ 203,843

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Discretely Presented Component Units
Functions/Programs						
Primary Government						
Governmental activities						
General government	\$ 6,661,923	\$ 1,427,540	\$ 430,343	\$ -	\$ (4,804,040)	
Public safety	7,519,474	617,972	680,741	457,713	(5,763,048)	
Highways and streets	4,109,487	146,300	3,891,019	16,471	(55,697)	
Human services	10,319,979	756,581	6,052,815	-	(3,510,583)	
Health	1,309,613	169,066	879,810	-	(260,737)	
Culture and recreation	643,122	519	49,085	244,241	(349,277)	
Conservation of natural resources	186,696	41	6,480	-	(180,175)	
Economic development	1,186,538	137,404	885,856	47,200	(116,078)	
Interest	367,851	-	-	-	(367,851)	
Total primary government	\$ 32,304,683	\$ 3,255,423	\$ 12,876,149	\$ 765,625	\$ (15,407,486)	
Discretely Presented Component Units	\$ 61,216	\$ 43,085	\$ 31,500	\$ -		\$ 13,369
General Revenues						
Property taxes					\$ 14,215,049	\$ 3,230
Mortgage registry and deed tax					21,691	-
Taxes - other					35	-
Payments in lieu of tax					98,934	-
Grants and contributions not restricted to specific programs					2,691,364	53
Investment income					185,734	-
Gain on sale of capital assets					2,300	-
Total general revenues					\$ 17,215,107	\$ 3,283
Change in Net Assets					\$ 1,807,621	\$ 16,652
Net Assets - Beginning					71,990,247	187,191
Net Assets - Ending					\$ 73,797,868	\$ 203,843

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, 2011**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 4,496,483	\$ 1,093,172	\$ 4,205,311
Petty cash and change funds	3,900	-	-
Departmental cash	26,261	-	-
Taxes receivable			
Prior - net	483,515	109,989	198,850
Accounts receivable - net	141,303	-	76,430
Accrued interest receivable	34,366	-	-
Due from other governments	769,208	1,417,898	948,951
Due from other funds	41,874	6,180	316
Leases receivable - net	259,546	-	-
Loans receivable - net	51,542	-	-
Advances to component units	3,335	-	-
Inventories	-	812,783	-
Prepaid items	240,814	16,326	60,660
	\$ 6,552,147	\$ 3,456,348	\$ 5,490,518
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 187,831	\$ 48,513	\$ 159,564
Salaries payable	389,050	45,615	152,223
Contracts payable	-	147,194	-
Due to other funds	6,616	936	40,938
Due to other governments	321,967	8,788	140,297
Deferred revenue - unavailible	918,598	1,373,242	578,094
Deferred revenue - unearned	429,893	-	-
Deposits held for others	-	5,623	-
	\$ 2,253,955	\$ 1,629,911	\$ 1,071,116
Fund Balances			
Nonspendable	\$ 244,149	\$ 829,109	\$ 60,660
Restricted	1,087,236	-	-
Committed	436,478	-	-
Assigned	525,000	997,328	4,358,742
Unassigned	2,005,329	-	-
	\$ 4,298,192	\$ 1,826,437	\$ 4,419,402
Total Fund Balances	\$ 4,298,192	\$ 1,826,437	\$ 4,419,402
Total Liabilities and Fund Balances	\$ 6,552,147	\$ 3,456,348	\$ 5,490,518

EXHIBIT 3

Debt Service	Capital Projects	Total Governmental Funds
\$ 1,450,701	\$ 308,367	\$ 11,554,034
-	-	3,900
-	-	26,261
66,048	-	858,402
-	-	217,733
-	-	34,366
-	-	3,136,057
120	-	48,490
-	-	259,546
-	-	51,542
-	-	3,335
-	-	812,783
-	-	317,800
\$ 1,516,869	\$ 308,367	\$ 17,324,249
\$ -	\$ 2,740	\$ 398,648
-	-	586,888
-	-	147,194
-	-	48,490
-	-	471,052
56,148	-	2,926,082
-	-	429,893
-	-	5,623
\$ 56,148	\$ 2,740	\$ 5,013,870
\$ -	\$ -	1,133,918
1,460,721	305,627	2,853,584
-	-	436,478
-	-	5,881,070
-	-	2,005,329
\$ 1,460,721	\$ 305,627	\$ 12,310,379
\$ 1,516,869	\$ 308,367	\$ 17,324,249

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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, 2011**

Fund Balances - Total Governmental Funds (Exhibit 3)	\$	12,310,379
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.		71,093,936
Deferred charges are not available to pay current expenditures and, therefore, are not reported in the funds.		121,043
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in governmental funds.		2,926,082
Accrued interest payable is not due and payable in the current period and, therefore, is not reported on the fund statements.		(141,849)
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 and notes	\$ (9,285,000)	
Unamortized premium on bonds	(30,389)	
Unamortized discount on bonds	28,515	
Other post-employment benefits liability	(1,723,510)	
Compensated absences	(1,501,339)	
		(12,511,723)
Net Assets of Governmental Activities (Exhibit 1)	\$	<u>73,797,868</u>

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Road and Bridge	Human Services
Revenues			
Taxes	\$ 8,161,339	\$ 1,919,483	\$ 3,059,778
Special assessments	2,593	-	-
Licenses and permits	274,255	-	-
Intergovernmental	4,837,290	4,178,956	6,532,528
Charges for services	1,430,365	134,823	438,221
Fines and forfeits	82,836	-	-
Gifts and contributions	243,221	-	-
Investment earnings	185,734	-	-
Miscellaneous	934,846	11,477	318,360
	\$ 16,152,479	\$ 6,244,739	\$ 10,348,887
Expenditures			
Current			
General government	\$ 6,123,554	\$ -	\$ -
Public safety	7,342,617	-	-
Highways and streets	-	5,924,522	-
Human services	-	-	10,462,340
Health	1,280,230	-	-
Culture and recreation	574,326	-	-
Conservation of natural resources	185,641	-	-
Economic development	1,178,860	-	-
Capital outlay	-	-	-
Intergovernmental	394,586	247,823	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative (fiscal) charges	-	-	-
	\$ 17,079,814	\$ 6,172,345	\$ 10,462,340
Excess of Revenues Over (Under) Expenditures	\$ (927,335)	\$ 72,394	\$ (113,453)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 19,725	\$ -
Transfers out	(19,725)	-	-
Insurance proceeds	23,250	-	-
Sale of capital assets	2,300	-	-
	\$ 5,825	\$ 19,725	\$ -
Net Change in Fund Balance	\$ (921,510)	\$ 92,119	\$ (113,453)
Fund Balance - January 1, as restated (Note 2)	5,219,702	1,547,840	4,532,855
Increase (decrease) in inventories	-	186,478	-
Fund Balance - December 31	\$ 4,298,192	\$ 1,826,437	\$ 4,419,402

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

EXHIBIT 5

Debt Service	Capital Projects	Total Governmental Funds
\$ 1,156,488	\$ -	\$ 14,297,088
-	-	2,593
-	-	274,255
79,758	253,723	15,882,255
-	-	2,003,409
-	-	82,836
-	-	243,221
-	-	185,734
-	5,168	1,269,851
\$ 1,236,246	\$ 258,891	\$ 34,241,242
\$ -	\$ -	\$ 6,123,554
-	-	7,342,617
-	-	5,924,522
-	-	10,462,340
-	-	1,280,230
-	-	574,326
-	-	185,641
-	-	1,178,860
-	177,466	177,466
-	-	642,409
835,000	-	835,000
353,657	-	353,657
5,681	-	5,681
\$ 1,194,338	\$ 177,466	\$ 35,086,303
\$ 41,908	\$ 81,425	\$ (845,061)
\$ -	\$ -	\$ 19,725
-	-	(19,725)
-	-	23,250
-	-	2,300
\$ -	\$ -	\$ 25,550
\$ 41,908	\$ 81,425	\$ (819,511)
1,418,813	224,202	12,943,412
-	-	186,478
\$ 1,460,721	\$ 305,627	\$ 12,310,379

**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, 2011**

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (819,511)

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	\$ 4,291,754	
Net book value of assets disposed or sold	(20,356)	
Current year depreciation	<u>(2,421,629)</u>	1,849,769

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	\$ 2,926,082	
Deferred revenue - January 1	<u>(2,733,608)</u>	192,474

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		835,000
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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	\$ 9,902	
Amortization of discounts, premiums, and deferred issuance charges	(18,415)	
Change in compensated absences	(65,001)	
Change in other post-employment benefits payable	(363,075)	
Change in inventories	<u>186,478</u>	<u>(250,111)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,807,621

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011**

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	<u>\$ 636,891</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 636,891</u>

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

EXHIBIT 8

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2011**

	Green Lake Improvement District	Long Lake Improvement District	Fannie Lake Improvement District	Total Discrete Component Units
<u>Assets</u>				
Cash and pooled investments	\$ 27,545	\$ 136,522	\$ -	\$ 164,067
Taxes receivable				
Prior - net	271	-	-	271
Special assessments receivable				
Prior - net	-	3,542	-	3,542
Prepaid items	-	13	-	13
Capital assets				
Depreciable - net	39,739	-	-	39,739
	\$ 67,555	\$ 140,077	\$ -	\$ 207,632
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 102	\$ 352	\$ -	\$ 454
Advance from primary government	-	-	3,335	3,335
	\$ 102	\$ 352	\$ 3,335	\$ 3,789
<u>Net Assets</u>				
Invested in capital assets	\$ 39,739	\$ -	\$ -	\$ 39,739
Unrestricted	27,714	139,725	(3,335)	164,104
	\$ 67,453	\$ 139,725	\$ (3,335)	\$ 203,843

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

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

EXHIBIT 9

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Total</u>
	<u>Expenses</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>Fannie Lake Improvement District</u>	
<u>Component Units</u>							
Green Lake Improvement District	\$ 9,457	\$ 1,892	\$ -	\$ (7,565)	\$ -	\$ -	\$ (7,565)
Long Lake Improvement District	48,424	41,193	31,500	-	24,269	-	24,269
Fannie Lake Improvement District	3,335	-	-	-	-	(3,335)	(3,335)
Total Component Units	\$ 61,216	\$ 43,085	\$ 31,500	\$ (7,565)	\$ 24,269	\$ (3,335)	\$ 13,369
General Revenues and Other Items							
Property taxes				\$ 3,230	\$ -	\$ -	\$ 3,230
Grants and contributions not restricted to specific programs				53	-	-	53
Total general revenues				\$ 3,283	\$ -	\$ -	\$ 3,283
Change in Net Assets				\$ (4,282)	\$ 24,269	\$ (3,335)	\$ 16,652
Net Assets - Beginning				71,735	115,456	-	187,191
Net Assets - Ending				\$ 67,453	\$ 139,725	\$ (3,335)	\$ 203,843

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, 2011

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, 2011. 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 meets the criteria to be reported as a blended component unit because a voting majority of the EDA's board consists of the five County Commissioners. The EDA currently operates exclusively 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, 2011.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

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 Fannie Lake Improvement District was established by the Isanti County Board of Commissioners on August 3, 2010, 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.C. The County also participates in a jointly-governed organization which is described in Note 6.D.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities.

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.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary 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 columns in the fund financial statements. The County reports all of its governmental funds as major 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 accounts for the construction and maintenance of roads, bridges, and other projects affecting County roadways. These projects are primarily funded by restricted revenue from the federal and state governments as well as assigned property tax revenue.

The Human Services Special Revenue Fund accounts for economic assistance and community social services programs. These programs are primarily funded by restricted revenue from the federal and state governments as well as assigned property tax revenue.

The Debt Service Fund accounts for financial resources that are restricted, committed, or assigned to be used for principal and interest payments on County debt.

The Capital Projects Fund accounts for financial resources that are restricted, committed, or assigned to be used for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 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.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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, 2011, 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 2011 were \$185,734.

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. 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."

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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

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.

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. 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

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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.

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

5. 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.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. 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.

7. 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 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.

8. Classification of Net Assets

Net assets in the government-wide financial statements are classified in the following categories:

Invested in capital assets - net of related debt is the amount of net assets representing capital assets, net of accumulated depreciation, reduced by outstanding balances of any debt attributed to the acquisition, construction, or improvement of those assets.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

8. Classification of Net Assets (Continued)

Restricted is the amount of net assets subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions and enabling legislation.

Unrestricted is the amount of net assets that do not meet the definition of “restricted net assets” or “invested in capital assets, net of related debt.”

9. Fund Balance

The County adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December, 31, 2011. This standard changed fund balance classifications within the fund financial statements.

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

Nonspendable is the amount of fund balance that cannot be spent because it is either not in spendable form or is legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted is the amount of fund balance subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions and enabling legislation.

Committed is the amount of fund balance that can only be used for the specific purposes imposed by formal action (i.e. resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

9. Fund Balance (Continued)

Board removes or changes the specified use by taking the same type of action (i.e. resolution) it employed to previously commit those amounts.

Assigned is the amount of fund balance the County intends to use for specific purposes but does not meet the criteria to be classified as “restricted” or “committed.” In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board. The County Board has also adopted a fund balance policy that delegates authority to assign fund balance to the County Administrator and Finance Director.

Unassigned is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Further detail on fund balance classifications is available in Note 3.D.

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

The County has adopted a minimum fund balance policy for the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund. The County does not have a minimum fund balance policy for its other funds.

In the General Fund, the policy requires a minimum unrestricted fund balance at the end of the fiscal year equivalent to 30% of the subsequent year’s budgeted fund operating expenditures.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

9. Fund Balance (Continued)

In the Road and Bridge Special Revenue Fund, the policy requires a minimum unrestricted fund balance at the end of the fiscal year equivalent to 20% of the subsequent year's budgeted fund operating expenditures.

In the Human Services Special Revenue Fund, the policy requires a minimum unrestricted fund balance at the end of the fiscal year equivalent to 30% of the subsequent year's budgeted fund operating expenditures.

If the fund balance at the end of the fiscal year is less than the minimum amounts, the policy requires the County to develop a plan to increase fund balance over a period not to exceed five years.

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.

2. Stewardship, Compliance, and Accountability

Restatement of Fund Balance

The implementation of GASB Statement No. 54 required the County to report certain funds that were previously reported as nonmajor special revenue funds as part of the General Fund. This results in a restatement of the beginning fund balance for the General Fund as follows:

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Restatement of Fund Balance (Continued)

	General Fund	Nonmajor Special Revenue Funds	Total
Fund balance - January 1, as previously reported	\$ 5,202,271	\$ 17,431	\$ 5,219,702
Restatement	17,431	(17,431)	-
Fund balance - January 1, as restated	\$ 5,219,702	\$ -	\$ 5,219,702

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	\$ 11,554,034
Petty cash and change funds	3,900
Departmental cash	26,261
Discretely presented component units	
Cash and pooled investments	164,067
Statement of fiduciary net assets	
Cash and pooled investments	636,891
Total Cash and Investments	\$ 12,385,153
Deposits	\$ 7,926,215
Petty cash and change funds	3,900
Departmental cash	26,261
Investments	4,428,777
Total Deposits, Cash on Hand, and Investments	\$ 12,385,153

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

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, 2011, 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**

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, 2011, 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	\$ 4,102,629	\$ -	\$ -	\$ 4,102,629
MAGIC Fund	326,148	326,148	-	-
Total Investments	<u>\$ 4,428,777</u>	<u>\$ 326,148</u>	<u>\$ -</u>	<u>\$ 4,102,629</u>

In accordance with the County's investment policy, total long term investments with maturities greater than five years should not exceed 25 percent of the investment portfolio. The County's investments exceeded this limitation as of December 31, 2011. 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, 2011:

<u>Investment Type</u>	<u>Moody's/S&P Rating</u>	<u>Carrying (Fair) Value</u>
U.S. government agency securities	Aaa/AA+	\$ 4,102,629
MAGIC fund	NR/NR	326,148
Total Investments		<u>\$ 4,428,777</u>

NR – Not Rated

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

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, 2011, 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	\$ 3,001,677
Federal Home Loan Mortgage Corporation	700,878
Federal Home Loan Bank	400,074

2. Receivables

Receivables at December 31, 2011, 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	\$ 858,402	\$ -
Accounts	217,733	-
Interest	34,366	-
Due from other governments	3,136,057	-
Leases	259,546	154,072
Advances to component units	3,335	3,335
Loans	51,542	40,077
Total Governmental Activities	\$ 4,560,981	\$ 197,484

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, 2011:

	Original Loan Amount	Amount Repaid To Date	Outstanding Balance
General Fund	\$ 75,277	\$ 23,735	\$ 51,542

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**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

The County has also leased part of the Cambridge library building to the East Central Regional Library to be used as office space. The lease agreement expires on December 31, 2012.

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, 2011. The amounts for 2011 are considered current and due within one year. Amounts remaining to be paid are as follows:

<u>Year</u>	<u>Office Space</u>	<u>Communications Tower</u>	<u>Total</u>
2012	\$ 99,824	\$ 5,650	\$ 105,474
2013	31,673	5,650	37,323
2014	24,714	5,650	30,364
2015	-	5,650	5,650
2016	-	5,650	5,650
2017-2021	-	30,228	30,228
2022-2026	-	31,920	31,920
2027-2031	-	12,937	12,937
Total	\$ 156,211	\$ 103,335	\$ 259,546

**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, 2011, was as follows:

Primary Government

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,556,338	\$ 265,215	\$ -	\$ 4,821,553
Construction in progress	618,017	235,623	766,853	86,787
Total capital assets not depreciated	\$ 5,174,355	\$ 500,838	\$ 766,853	\$ 4,908,340
Capital assets depreciated				
Buildings	\$ 19,366,321	\$ -	\$ -	\$ 19,366,321
Improvements other than buildings	312,843	318,970	-	631,813
Machinery, furniture, and equipment	8,460,194	1,336,127	127,275	9,669,046
Infrastructure	63,861,999	2,902,672	-	66,764,671
Total capital assets depreciated	\$ 92,001,357	\$ 4,557,769	\$ 127,275	\$ 96,431,851
Less: accumulated depreciation for				
Buildings	\$ 5,665,670	\$ 481,389	\$ -	\$ 6,147,059
Improvements other than buildings	97,904	18,228	-	116,132
Machinery, furniture, and equipment	5,854,751	649,805	106,919	6,397,637
Infrastructure	16,313,220	1,272,207	-	17,585,427
Total accumulated depreciation	\$ 27,931,545	\$ 2,421,629	\$ 106,919	\$ 30,246,255
Total capital assets depreciated, net	\$ 64,069,812	\$ 2,136,140	\$ 20,356	\$ 66,185,596
Primary Government Capital Assets, Net	\$ 69,244,167	\$ 2,636,978	\$ 787,209	\$ 71,093,936

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

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	\$	443,880
Public safety		443,630
Highways and streets, including depreciation of infrastructure assets		1,388,858
Human services		61,318
Culture and recreation		14,464
Economic development		69,479
		\$ 2,421,629
Total		

B. Interfund Receivables, Payables, and Transfers

Interfund Balances

The composition of interfund balances as of December 31, 2011, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Human Services Fund	\$ 40,938	Services provided
General Fund	Road and Bridge Fund	936	Services provided
Road and Bridge Fund	General Fund	6,180	Services provided and tax sale proceeds
Human Services Fund	General Fund	316	Tax sale proceeds
Debt Service Fund	General Fund	120	Tax sale proceeds
		\$ 48,490	
Total Due To/From Other Funds			

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2011, were made as follows:

The County transferred \$19,725 from the General Fund to the Road and Bridge Special Revenue Fund. The transfer was made to fund a portion of construction costs for the Cambridge-Isanti bike/walk trail with donations received for that purpose.

Advances To/From Primary Government and Component Units

The County advanced \$3,335 from the General Fund to the Fannie Lake Improvement District, a discretely presented component unit, for initial cash flow purposes. The advance will be repaid with future tax and special assessment revenues by December 31, 2013.

C. Liabilities

1. Payables

Payables at December 31, 2011, are as follows:

	<u>Governmental Activities</u>
Accounts	\$ 398,648
Salaries	586,888
Contracts	147,194
Due to other governments	471,052
Interest	<u>141,849</u>
Total Governmental Activities	<u>\$ 1,745,631</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**

3. Detailed Notes on All Funds

C. Liabilities

2. Deferred Revenue (Continued)

The unavailable portion of deferred revenue as of December 31, 2011, is as follows:

Fund	Delinquent Taxes	Other Unavailable Revenues	Total Unavailable Deferred Revenue
General Fund	\$ 414,785	\$ 503,813	\$ 918,598
Human Services Fund	171,988	406,106	578,094
Road and Bridge Fund	93,526	1,279,716	1,373,242
Debt Service Fund	56,148	-	56,148
Total	<u>\$ 736,447</u>	<u>\$ 2,189,635</u>	<u>\$ 2,926,082</u>

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, 2011, is as follows:

	Unearned Grant Revenue	Unearned Lease Revenue	Total Unearned Revenue
General Fund	<u>\$ 170,347</u>	<u>\$ 259,546</u>	<u>\$ 429,893</u>

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

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:

- (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 and will continue to receive that benefit through June 2013. 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**

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**

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 2011, the County expended \$347,849 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 2011, the amount actuarially contributed to the plan, and changes in the County’s net OPEB obligation.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

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		61,220
Adjustment to ARC		(83,126)
Annual OPEB cost		710,924
Contributions during the year		(347,849)
Increase in net OPEB obligation		363,075
Net OPEB – beginning of the year		1,360,435
 Net OPEB – end of the year	 \$	 1,723,510

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2009	\$ 746,109	\$ 271,852	36.44%	\$ 946,302
December 31, 2010	\$ 718,119	\$ 303,986	42.33%	\$ 1,360,435
December 31, 2011	\$ 710,924	\$ 347,849	48.93%	\$ 1,723,510

Funded 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**

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**

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. Both rates include a 2.5 percent inflation assumption. 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, 2011, was a weighted period of 26 years.

5. Long-Term Debt

Bonds and Notes Payable

Bonds and notes payable as of December 31, 2011 consist of the following issues:

Description of Issue	Outstanding Balance December 31, 2011
\$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.	\$ 2,025,000
\$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.	1,275,000
\$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.	1,710,000
\$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	1,440,000

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt (Continued)

\$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	\$ 9,285,000
Plus: unamortized premium	30,389
Less: unamortized discount	<u>(28,515)</u>
Total Bonds and Notes Payable, Net	<u>\$ 9,286,874</u>

Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 870,000	\$ 325,148
2013	900,000	292,523
2014	690,000	264,365
2015	710,000	240,833
2016	735,000	216,059
2017-2021	3,860,000	668,213
2022-2023	<u>1,520,000</u>	<u>62,040</u>
Total	<u>\$ 9,285,000</u>	<u>\$ 2,069,181</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, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 10,120,000	\$ -	\$ 835,000	\$ 9,285,000	\$ 870,000
Plus: deferred amounts for issuance premiums	34,003	-	3,614	30,389	-
Less: deferred amounts for issuance discounts	(31,568)	-	(3,053)	(28,515)	-
Total bonds payable	\$ 10,122,435	\$ -	\$ 835,561	\$ 9,286,874	\$ 870,000
Net OPEB payable	1,360,435	710,924	347,849	1,723,510	-
Compensated absences	1,436,338	1,161,885	1,096,884	1,501,339	829,210
Governmental Activity Long-Term Liabilities	\$ 12,919,208	\$ 1,872,809	\$ 2,280,294	\$ 12,511,723	\$ 1,699,210

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

6. Construction Commitments

The County has active construction projects as of December 31, 2011. The projects and related commitments include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads	\$ 380,499	\$ 13,531

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Operating Lease Commitments

The County has 22 operating leases for office equipment with varying expiration dates. 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 \$83,812 in 2011. The last of the leases is scheduled to expire in October 2016.

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

Year	Minimum Lease Payments
2012	\$ 42,709
2013	32,979
2014	26,202
2015	18,631
2016	8,524
Total	\$ 129,045

D. Fund Balance

1. Nonspendable Fund Balance

The detail of nonspendable fund balance at December 31, 2011 is as follows:

	General	Road and Bridge	Human Services	Total
Nonspendable:				
Inventory	\$ -	\$ 812,783	\$ -	\$ 812,783
Prepaid items	240,814	16,326	60,660	317,800
Advance to component unit	3,335	-	-	3,335
Total Nonspendable	\$ 244,149	\$ 829,109	\$ 60,660	\$ 1,133,918

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

D. Fund Balance (Continued)

2. Restricted Fund Balance

The detail of restricted fund balance at December 31, 2011, is as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Restricted for:				
Recorder's technology	\$ 470,616	\$ -	\$ -	\$ 470,616
Land records compliance	315,100	-	-	315,100
Ditch maintenance	10,243	-	-	10,243
Missing heirs	11,381	-	-	11,381
Law library	78,214	-	-	78,214
Attorney operations	43,608	-	-	43,608
Sheriff operations	7,907	-	-	7,907
Sheriff contingency	1,925	-	-	1,925
DARE	237	-	-	237
Permit to carry program	43,770	-	-	43,770
Law enforcement	2,381	-	-	2,381
Enhanced 911 system	101,854	-	-	101,854
Debt service	-	1,460,721	-	1,460,721
Public safety equipment	-	-	305,627	305,627
	<u>\$ 1,087,236</u>	<u>\$ 1,460,721</u>	<u>\$ 305,627</u>	<u>\$ 2,853,584</u>
Total Restricted	<u>\$ 1,087,236</u>	<u>\$ 1,460,721</u>	<u>\$ 305,627</u>	<u>\$ 2,853,584</u>

3. Committed Fund Balance

The detail of committed fund balance at December 31, 2011, is as follows:

	<u>General Fund</u>
Committed for:	
County parks and recreation	\$ 182,270
Township parks	150,516
Beyond the yellow ribbon program	33,763
Safety and rescue program	3,098
Jail operations	61,839
Sheriff K-9 program	4,992
	<u>436,478</u>
Total Committed	<u>\$ 436,478</u>

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

D. Fund Balance (Continued)

4. Assigned Fund Balance

The detail of assigned fund balance at December 31, 2011, is as follows:

	General	Road and Bridge	Human Services	Total
Assigned for:				
Building maintenance	\$ 525,000	\$ -	\$ -	\$ 525,000
Highways and streets	-	997,328	-	997,328
Human services	-	-	4,358,742	4,358,742
 Total Assigned	 \$ 525,000	 \$ 997,328	 \$ 4,358,742	 \$ 5,881,070

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

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

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).

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

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

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

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

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

Funding Policy

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

The County is required to contribute the following percentages of annual covered payroll in 2011:

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

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

The County's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2011	2010	2009
General Employees Retirement Fund	\$ 690,736	\$ 664,959	\$ 638,557
Public Employees Police and Fire Fund	198,659	190,821	178,001
Public Employees Correctional Fund	127,369	127,358	124,868

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

B. Defined Contribution Plan

Four 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 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.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2011, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,101	\$ 4,101
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). 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 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 2011 and \$460,000 per claim in 2012. 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.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

5. Risk Management (Continued)

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. These deductible amounts were \$3,000 (single coverage) and \$6,000 (family coverage) in 2011 and 2012. The County is self-insured for a portion of the cost of healthcare claims up to the deductible for each employee. The County's share of the claims costs up to the deductible varies according to the plan selected by each employee. 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:

	<u>2011</u>	<u>2010</u>
Unpaid claims – January 1	\$ 66,027	\$ 43,163
Current year claims	528,447	589,958
Claim payments	<u>(529,046)</u>	<u>(567,094)</u>
Unpaid claims – December 31	<u>\$ 65,428</u>	<u>\$ 66,027</u>

Beginning in 2012, the County offered its employees a healthcare savings account (HSA) option as an alternative to the traditional health benefit plan. The County is not self-insured for any portion of the HSA option.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Subsequent Events

On May 15, 2012, the County Board passed a resolution authorizing the issuance of \$3,190,000 General Obligation Refunding Bonds, Series 2012A. The proceeds of the bonds will be used to provide for a crossover refunding of the County's outstanding General Obligation Jail Bonds, Series 2003A and General Obligation Jail Bonds, Series 2004A.

B. 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.

C. 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 2011 was \$391,886. Complete financial statements of the East Central Regional Library can be obtained at 244 South Birch, Cambridge, Minnesota 55008.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

East Central Solid Waste Commission

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

The Commission is an organized joint venture having 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.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. 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 Counties 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 2011 was \$19,000. St. Louis and Lake Counties Regional Railroad 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 2011 was \$14,392. 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.

D. 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

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organization

Isanti County Integrated Collaborative (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 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.

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

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

7. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

Reporting Entities (Continued)

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

Basis of Presentation

The Green Lake Improvement District, Long Lake Improvement District, and Fannie Lake Improvement District all present their activities as a single governmental fund.

Basis of Accounting

The Green Lake Improvement District, the Long Lake Improvement District, and Fannie 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, the Long Lake Improvement District, and Fannie Lake Improvement District is deposited with the County Auditor-Treasurer.

B. Stewardship, Compliance, and Accountability

Deficit Net Assets

The Fannie Lake Improvement District had a deficit net asset balance of \$3,335 as of December 31, 2011. The District received a long-term advance from Isanti County to provide initial cash flow. The deficit will be eliminated with future property tax or special assessment revenues levied on properties within the District.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

7. Discretely Presented Component Unit Disclosures (Continued)

C. Detailed Notes on All Funds

1. Assets

Receivables

Receivables as of December 31, 2011, 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	\$ 271	\$ -	\$ 271
Special assessments	-	3,542	3,542
Total Component Units	\$ 271	\$ 3,542	\$ 3,813

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

Capital Assets

The Long Lake Improvement District and Fannie Lake Improvement District do not have any capital assets as of December 31, 2011.

The Green Lake Improvement District capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated Improvements other than buildings	\$ 76,909	\$ -	\$ -	\$ 76,909
Less: accumulated depreciation	33,325	3,845	-	37,170
Component Unit Capital Assets, Net	\$ 43,584	\$ (3,845)	\$ -	\$ 39,739

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

7. Discretely Presented Component Unit Disclosures

C. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

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

Green Lake Improvement District	\$ 3,845
---------------------------------	----------

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, 2011, is as follows:

	Green Lake Improvement District	Long Lake Improvement District	Total
Delinquent taxes	\$ 260	\$ -	\$ 260
Delinquent special assessments	-	3,029	3,029
Total Deferred Revenue	\$ 260	\$ 3,029	\$ 3,289

Advance from Primary Government

The Fannie Lake Improvement District received an advance of \$3,335 from Isanti County, the primary government, for initial cash flow purposes. The advance will be repaid with future property tax or special assessment revenues by December 31, 2013. Since the advance is not expected to be repaid within one year, it is classified as a long-term liability of the Fannie Lake Improvement District.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

7. Discretely Presented Component Unit Disclosures

C. Detailed Notes on All Funds

3. Fund Balance

Nonspendable Fund Balance

The detail of nonspendable fund balance at December 31, 2011 is as follows:

	<u>Long Lake Improvement District</u>
Nonspendable: Prepaid items	<u>\$ 13</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,191,830	\$ 8,191,830	\$ 8,161,339	\$ (30,491)
Special assessments	-	-	2,593	2,593
Licenses and permits	314,378	314,378	274,255	(40,123)
Intergovernmental	4,846,467	5,384,102	4,837,290	(546,812)
Charges for services	1,992,909	1,992,909	1,430,365	(562,544)
Fines and forfeits	35,900	35,900	82,836	46,936
Gifts and contributions	205,550	205,550	243,221	37,671
Investment earnings	300,000	300,000	185,734	(114,266)
Miscellaneous	848,680	871,930	934,846	62,916
Total Revenues	\$ 16,735,714	\$ 17,296,599	\$ 16,152,479	\$ (1,144,120)
Expenditures				
Current				
General government				
Commissioners	\$ 250,409	\$ 250,409	\$ 224,916	\$ 25,493
Courts	87,500	87,500	66,421	21,079
Law library	35,861	35,861	45,476	(9,615)
County administration	1,111,563	1,111,563	1,019,662	91,901
County auditor-treasurer	875,897	875,897	833,477	42,420
Auditing and accounting services	45,000	45,000	43,008	1,992
County assessor	357,783	357,783	349,325	8,458
Elections	30,850	30,850	18,559	12,291
Management information systems	424,307	424,307	398,909	25,398
Central services	10,000	10,000	-	10,000
Attorney	1,181,275	1,181,275	1,121,485	59,790
Recorder	283,212	283,212	316,686	(33,474)
Surveyor	45,000	45,000	75,228	(30,228)
Geographic information systems	23,500	23,500	26,884	(3,384)
Planning and zoning	416,880	416,880	452,512	(35,632)
Buildings and maintenance	1,021,010	1,021,010	861,861	159,149
Veterans services	168,766	175,780	178,466	(2,686)
County contingency	50,000	50,000	1,364	48,636
Appropriations	69,100	69,100	69,100	-
Forfeited tax sale	-	-	20,215	(20,215)
Total general government	\$ 6,487,913	\$ 6,494,927	\$ 6,123,554	\$ 371,373

(Continued)

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

*Schedule 1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 5,711,211	\$ 5,734,461	\$ 5,896,054	\$ (161,593)
Probation and parole	935,222	935,222	931,200	4,022
Medical examiner	112,647	112,647	112,647	-
Emergency management	153,025	396,958	402,716	(5,758)
Total public safety	\$ 6,912,105	\$ 7,179,288	\$ 7,342,617	\$ (163,329)
Health				
Public health	\$ 1,725,925	\$ 1,722,361	\$ 1,280,230	\$ 442,131
Culture and recreation				
Parks	\$ 169,366	\$ 510,615	\$ 550,831	\$ (40,216)
Bike trails	-	2,500	806	1,694
Snowmobile trails	-	-	2,984	(2,984)
Historical society	19,000	19,000	19,000	-
Ceremonies for veterans	1,000	1,000	705	295
Total culture and recreation	\$ 189,366	\$ 533,115	\$ 574,326	\$ (41,211)
Conservation of natural resources				
Extension service	\$ 142,585	\$ 143,649	\$ 139,161	\$ 4,488
Soil and water conservation	30,000	30,000	35,000	(5,000)
Oak wilt program	-	-	1,480	(1,480)
Agricultural society and county fair	10,000	10,000	10,000	-
Total conservation of natural resources	\$ 182,585	\$ 183,649	\$ 185,641	\$ (1,992)
Economic development				
Transit	\$ 1,066,028	\$ 1,066,028	\$ 1,103,105	\$ (37,077)
Economic development	43,000	43,000	56,755	(13,755)
Rail authority	19,000	19,000	19,000	-
Total economic development	\$ 1,128,028	\$ 1,128,028	\$ 1,178,860	\$ (50,832)
Intergovernmental				
Library	\$ 391,887	\$ 391,887	\$ 394,586	\$ (2,699)

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

*Schedule 1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Total Expenditures	\$ 17,017,809	\$ 17,633,255	\$ 17,079,814	\$ 553,441
Excess of Revenues Over (Under) Expenditures	\$ (282,095)	\$ (336,656)	\$ (927,335)	\$ (590,679)
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ (19,725)	\$ (19,725)	\$ -
Insurance proceeds	-	-	23,250	23,250
Sale of capital assets	-	-	2,300	2,300
Total Other Financing Sources (Uses)	\$ -	\$ (19,725)	\$ 5,825	\$ 25,550
Net Change in Fund Balance	\$ (282,095)	\$ (356,381)	\$ (921,510)	\$ (565,129)
Fund Balance - January 1, as restated	5,219,702	5,219,702	5,219,702	-
Fund Balance - December 31	\$ 4,937,607	\$ 4,863,321	\$ 4,298,192	\$ (565,129)

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

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,928,601	\$ 1,928,601	\$ 1,919,483	\$ (9,118)
Intergovernmental	3,480,702	3,480,702	4,178,956	698,254
Charges for services	118,938	118,938	134,823	15,885
Miscellaneous	2,000	2,000	11,477	9,477
Total Revenues	\$ 5,530,241	\$ 5,530,241	\$ 6,244,739	\$ 714,498
Expenditures				
Current				
Highways and streets				
Administration	\$ 328,360	\$ 328,360	\$ 325,885	\$ 2,475
Maintenance	1,303,572	1,303,572	1,213,621	89,951
Construction	2,988,804	3,598,845	3,592,496	6,349
Equipment and shop	753,005	753,005	792,520	(39,515)
Total highways and streets	\$ 5,373,741	\$ 5,983,782	\$ 5,924,522	\$ 59,260
Intergovernmental				
Town roads	\$ 226,500	\$ 226,500	\$ 247,823	\$ (21,323)
Total Expenditures	\$ 5,600,241	\$ 6,210,282	\$ 6,172,345	\$ 37,937
Excess of Revenues Over (Under) Expenditures	\$ (70,000)	\$ (680,041)	\$ 72,394	\$ 752,435
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 19,725	\$ 19,725	\$ -
Net Change in Fund Balance	\$ (70,000)	\$ (660,316)	\$ 92,119	\$ 752,435
Fund Balance - January 1	1,547,840	1,547,840	1,547,840	-
Increase (decrease) in inventories	-	-	186,478	186,478
Fund Balance - December 31	\$ 1,477,840	\$ 887,524	\$ 1,826,437	\$ 938,913

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,060,915	\$ 3,060,915	\$ 3,059,778	\$ (1,137)
Intergovernmental	7,237,602	7,237,602	6,532,528	(705,074)
Charges for services	203,196	203,196	438,221	235,025
Miscellaneous	308,700	308,700	318,360	9,660
Total Revenues	<u>\$ 10,810,413</u>	<u>\$ 10,810,413</u>	<u>\$ 10,348,887</u>	<u>\$ (461,526)</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,756,312	\$ 2,756,312	\$ 2,661,403	\$ 94,909
Social services	8,143,917	8,143,917	7,800,937	342,980
Total Expenditures	<u>\$ 10,900,229</u>	<u>\$ 10,900,229</u>	<u>\$ 10,462,340</u>	<u>\$ 437,889</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (89,816)</u>	<u>\$ (89,816)</u>	<u>\$ (113,453)</u>	<u>\$ (23,637)</u>
Fund Balance - January 1	<u>4,532,855</u>	<u>4,532,855</u>	<u>4,532,855</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 4,443,039</u>	<u>\$ 4,443,039</u>	<u>\$ 4,419,402</u>	<u>\$ (23,637)</u>

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 4

**SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS PLAN
DECEMBER 31, 2011**

	January 1, 2008	January 1, 2010
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, 2011

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 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.

Expenditures in Excess of Appropriations

For the year ended December 31, 2011, 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, 2011

1. Budgetary Information (Continued)

Fund or Department	Excess
General Fund	
Law library	\$ 9,615
Recorder	33,474
Surveyor	30,228
Geographic information systems	3,384
Planning and zoning	35,632
Veterans services	2,686
Forfeited tax sale	20,215
Sheriff	161,593
Emergency management	5,758
Parks	40,216
Snowmobile trails	2,984
Soil and water conservation	5,000
Oak wilt program	1,480
Transit	37,077
Economic development	13,755
Library	2,699
Road and Bridge Fund	
Equipment and shop	39,515
Town roads	21,323

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,161,984	\$ 1,161,984	\$ 1,156,488	\$ (5,496)
Intergovernmental	114,434	114,434	79,758	(34,676)
Total Revenues	<u>\$ 1,276,418</u>	<u>\$ 1,276,418</u>	<u>\$ 1,236,246</u>	<u>\$ (40,172)</u>
Expenditures				
Debt service				
Principal	\$ 835,000	\$ 835,000	\$ 835,000	\$ -
Interest	441,418	441,418	353,657	87,761
Administrative charges	-	-	5,681	(5,681)
Total Expenditures	<u>\$ 1,276,418</u>	<u>\$ 1,276,418</u>	<u>\$ 1,194,338</u>	<u>\$ 82,080</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,908</u>	<u>\$ 41,908</u>
Fund Balance - January 1	<u>1,418,813</u>	<u>1,418,813</u>	<u>1,418,813</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 1,418,813</u>	<u>\$ 1,418,813</u>	<u>\$ 1,460,721</u>	<u>\$ 41,908</u>

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**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 1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 81,726</u>	<u>\$ 1,751,512</u>	<u>\$ 1,769,357</u>	<u>\$ 63,881</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 81,726</u>	<u>\$ 1,751,512</u>	<u>\$ 1,769,357</u>	<u>\$ 63,881</u>
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 634,122</u>	<u>\$ 42,222,313</u>	<u>\$ 42,330,852</u>	<u>\$ 525,583</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 634,122</u>	<u>\$ 42,222,313</u>	<u>\$ 42,330,852</u>	<u>\$ 525,583</u>
<u>COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 319,123</u>	<u>\$ 305,469</u>	<u>\$ 577,165</u>	<u>\$ 47,427</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 319,123</u>	<u>\$ 305,469</u>	<u>\$ 577,165</u>	<u>\$ 47,427</u>

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Statement 1
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,034,971	\$ 44,279,294	\$ 44,677,374	\$ 636,891
<u>Liabilities</u>				
Due to other governments	\$ 1,034,971	\$ 44,279,294	\$ 44,677,374	\$ 636,891

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Statement 2

**BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2011**

	Green Lake Improvement District	Long Lake Improvement District	Fannie Lake Improvement District	Total
<u>Assets</u>				
Cash and pooled investments	\$ 27,545	\$ 136,522	\$ -	\$ 164,067
Taxes receivable				
Prior	271	-	-	271
Special assessments receivable				
Prior	-	3,542	-	3,542
Prepaid items	-	13	-	13
	\$ 27,816	\$ 140,077	\$ -	\$ 167,893
Total Assets	\$ 27,816	\$ 140,077	\$ -	\$ 167,893
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 102	\$ 352	\$ -	\$ 454
Deferred revenue - unavailable	260	3,029	-	3,289
	\$ 362	\$ 3,381	\$ -	\$ 3,743
Total Liabilities	\$ 362	\$ 3,381	\$ -	\$ 3,743
Fund Balances				
Nonspendable	\$ -	\$ 13	-	\$ 13
Unassigned	27,454	136,683	-	164,137
	\$ 27,454	\$ 136,696	\$ -	\$ 164,150
Total Fund Balances	\$ 27,454	\$ 136,696	\$ -	\$ 164,150
Total Liabilities and Fund Balances	\$ 27,816	\$ 140,077	\$ -	\$ 167,893

Reconciliation of Fund Balance to Net Assets

Fund Balance	\$ 164,150
Capital assets are reported on the statement of net assets but not on the balance sheet.	39,739
Assets not available to pay current expenditures are deferred in the funds.	3,289
Long-term liabilities, including advances payable, are not reported in the funds.	(3,335)
Net Assets	\$ 203,843

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Statement 3

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Green Lake Improvement District</u>	<u>Long Lake Improvement District</u>	<u>Fannie Lake Improvement District</u>	<u>Total</u>
Revenues				
Taxes	\$ 3,117	\$ -	\$ -	\$ 3,117
Special assessments	-	40,765	-	40,765
Intergovernmental	53	31,500	-	31,553
Miscellaneous	1,892	833	-	2,725
Total Revenues	<u>\$ 5,062</u>	<u>\$ 73,098</u>	<u>\$ -</u>	<u>\$ 78,160</u>
Expenditures				
Current				
Conservation of natural resources	<u>\$ 5,612</u>	<u>\$ 48,424</u>	<u>\$ 3,335</u>	<u>\$ 57,371</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (550)</u>	<u>\$ 24,674</u>	<u>\$ (3,335)</u>	<u>\$ 20,789</u>
Other Financing Sources (Uses)				
Advance from primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,335</u>	<u>\$ 3,335</u>
Net Change in Fund Balance	<u>\$ (550)</u>	<u>\$ 24,674</u>	<u>\$ -</u>	<u>\$ 24,124</u>
Fund Balance - January 1	<u>28,004</u>	<u>112,022</u>	<u>-</u>	<u>140,026</u>
Fund Balance - December 31	<u>\$ 27,454</u>	<u>\$ 136,696</u>	<u>\$ -</u>	<u>\$ 164,150</u>

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

Net Change in Fund Balance **\$ 24,124**

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	(3,581)
Deferred revenue - December 31	3,289

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)

The receipt of long-term advances provides current financial resources in the funds, but receiving advances increases long-term liabilities in the statement of net assets. (3,335)

Net Change in Net Assets **\$ 16,652**

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SUPPLEMENTARY INFORMATION

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 6

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Funds	Discretely Presented Component Units
Shared Revenue		
State		
Highway users tax	\$ 3,233,954	\$ -
Market value credit	921,634	53
PERA rate reimbursement	37,531	-
Disparity reduction aid	41,644	-
County program aid	1,570,555	-
Police aid	128,608	-
E-911	111,770	-
	\$ 6,045,696	\$ 53
Reimbursement for Services		
State		
Minnesota department of human services	\$ 720,201	\$ -
Payments		
Local		
Local contributions	\$ 7,000	\$ -
Payments in lieu of taxes	98,934	-
	\$ 105,934	\$ -
Grants		
State		
Minnesota department/board of		
Corrections	\$ 279,823	\$ -
Public safety	266,974	-
Transportation	537,626	-
Peace officer standards and training	7,196	-
Health	262,902	-
Natural resources	472,703	31,500
Human services	3,065,375	-
Soil and water resources	106,995	-
Veteran's affairs	4,200	-
Pollution control agency	98,171	-
	\$ 5,101,965	\$ 31,500
Federal		
Department of		
Agriculture	\$ 379,576	\$ -
Commerce	240,980	-
Justice	10,000	-
Labor	1,189	-
Transportation	679,471	-
Education	26,088	-
Health and human services	2,450,055	-
Homeland security	121,100	-
	\$ 3,908,459	\$ -
Total State and Federal Grants	\$ 9,010,424	\$ 31,500
Total Intergovernmental Revenue	\$ 15,882,255	\$ 31,553

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 7

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 196,738
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	181,358
Passed Through Minnesota Department of Natural Resources Forest Health Protection	10.680	<u>1,480</u>
Total U.S. Department of Agriculture		<u>\$ 379,576</u>
U.S. Department of Commerce		
Passed Through Minnesota Department of Public Safety Applied Meteorological Research	11.468	<u>\$ 240,980</u>
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Violence Against Women Formula Grants	16.588	<u>\$ 10,000</u>
U.S. Department of Labor		
Direct Employee Benefits Security Administration Cobra Premium Assistance - ARRA	17.151	<u>\$ 1,189</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 406,157
Formula Grants for Other Than Urbanized Areas	20.509	369,530
Passed Through Kanabec County Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>7,094</u>
Total U.S. Department of Transportation		<u>\$ 782,781</u>
U.S. Department of Education		
Passed Through Independent School District 911 Special Education Grants for Infants and Families	84.181	<u>\$ 26,088</u>
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	\$ 64,431
Universal Newborn Hearing Screening	93.251	874
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	2,700
Temporary Assistance for Needy Families (TANF)	93.558	31,732
Immunization - ARRA	93.712	7,206
Maternal and Child Health Services Block Grant to the States	93.994	37,561

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 7
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
Passed Through Minnesota Department of Human Services		
Temporary Assistance for Needy Families (TANF) Cluster		
Temporary Assistance for Needy Families (TANF)	93.558	340,362
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program - ARRA	93.714	10,774
Child Support Enforcement	93.563	818,769
Child Care Cluster		
Child Care and Development Block Grant	93.575	9,890
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	10,888
Stephanie Tubbs Jones Child Welfare Services Program	93.645	20,348
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	73,826
Foster Care Title IV-E - ARRA	93.658	164
Social Services Block Grant	93.667	180,771
Chafee Foster Care Independence Program	93.674	10,169
Children's Health Insurance Program	93.767	118
Medical Assistance Program	93.778	692,339
Block Grants for Community Mental Health Services	93.958	109,899
Passed Through St. Cloud Hospital		
Public Health and Social Services Emergency Fund	93.003	25,000
Total U.S. Department of Health and Human Services		\$ 2,447,821
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	\$ 27,824
Homeland Security Grant Program	97.067	41,212
Passed Through Washington County		
Homeland Security Grant Program	97.067	33,034
Total U.S. Department of Homeland Security		\$ 102,070
Total Federal Awards		\$ 3,990,505

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. 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	\$ 3,908,459
Grants received more than 60 days after year-end deferred in 2011	
Public Transportation for Other Than Urbanized Areas	114,363
Homeland Security Grant Program	17,960
Deferred in 2010, recognized as revenue in 2011	
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)
	(36,990)
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 3,990,505

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

5. Subrecipients

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
20.509	Public Transportation for Other Than Urbanized Areas	\$ 185,357
93.003	Public Health and Social Services Emergency Fund	4,580
97.067	Homeland Security Grant Program	<u>14,613</u>
	Total	<u>\$ 204,550</u>

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.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the County’s financial performance and well-being have changed over time.	121
Revenue Capacity These schedules contain information to help the reader assess the County’s most significant local revenue source, the property tax.	128
Debt Capacity 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.	132
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the County’s financial activities take place.	136
Operating Information 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.	139

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 Nine 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>	<u>2011</u>	
Governmental activities					
Invested in capital assets, net of related debt	\$ 54,446,421	\$ 56,848,424	\$ 59,519,487	\$ 62,259,821	
Restricted	3,400,339	2,644,040	2,541,138	2,710,869	
Unrestricted	<u>8,968,479</u>	<u>10,858,149</u>	<u>9,929,622</u>	<u>8,827,178</u>	
Total net assets	<u>\$ 66,815,239</u>	<u>\$ 70,350,613</u>	<u>\$ 71,990,247</u>	<u>\$ 73,797,868</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 Nine Fiscal Years
(accrual basis of accounting)

TABLE 2

	2003	2004	2005	2006
Expenses				
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
Total expenses	\$ 24,332,141	\$ 24,442,739	\$ 26,212,423	\$ 27,255,400
Program revenues				
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
Total program revenues	\$ 15,363,930	\$ 14,093,442	\$ 15,322,699	\$ 15,569,774
Net (expense)/revenue	\$ (8,968,211)	\$ (10,349,297)	\$ (10,889,724)	\$ (11,685,626)
General revenues and other changes in net assets				
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
Total general revenues	\$ 13,407,876	\$ 13,818,761	\$ 14,556,618	\$ 15,459,263
Change in net assets	\$ 4,439,665	\$ 3,469,464	\$ 3,666,894	\$ 3,773,637

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	2011
\$	6,025,655	\$ 6,620,404	\$ 6,591,869	\$ 6,767,121	\$ 6,661,923
	6,511,479	7,082,556	7,094,295	7,142,537	7,519,474
	11,106,826	11,613,036	11,084,262	10,594,462	10,319,979
	3,282,783	3,565,275	3,299,519	4,106,582	4,109,487
	-	-	-	-	-
	1,107,556	1,354,755	1,216,814	1,250,008	1,309,613
	659,006	622,107	643,483	645,831	643,122
	267,419	314,305	235,756	199,123	186,696
	944,630	1,116,949	1,167,543	1,141,796	1,186,538
	383,033	401,745	394,573	364,800	367,851
\$	<u>30,288,387</u>	<u>\$ 32,691,132</u>	<u>\$ 31,728,114</u>	<u>\$ 32,212,260</u>	<u>\$ 32,304,683</u>
\$	1,702,688	\$ 1,797,427	\$ 1,292,802	\$ 1,290,686	\$ 1,427,540
	925,642	811,549	664,955	547,551	617,972
	676,303	534,788	824,407	788,526	756,581
	887,282	653,974	510,296	403,804	453,330
	11,049,266	11,357,076	11,633,272	11,773,796	12,876,149
	1,514,686	1,823,365	2,649,333	1,814,223	765,625
\$	<u>16,755,867</u>	<u>\$ 16,978,179</u>	<u>\$ 17,575,065</u>	<u>\$ 16,618,586</u>	<u>\$ 16,897,197</u>
\$	<u>(13,532,520)</u>	<u>\$ (15,712,953)</u>	<u>\$ (14,153,049)</u>	<u>\$ (15,593,674)</u>	<u>\$ (15,407,486)</u>
\$	12,573,581	\$ 13,852,738	\$ 14,260,397	\$ 14,375,278	\$ 14,215,049
	17,451	90,762	22,296	20,400	21,691
	15	17	-	-	35
	97,020	96,400	101,345	100,207	98,934
	2,960,026	2,724,515	3,030,663	2,571,256	2,691,364
	664,535	456,703	273,722	166,167	185,734
	13,000	-	-	-	2,300
\$	<u>16,325,628</u>	<u>\$ 17,221,135</u>	<u>\$ 17,688,423</u>	<u>\$ 17,233,308</u>	<u>\$ 17,215,107</u>
\$	<u>2,793,108</u>	<u>\$ 1,508,182</u>	<u>\$ 3,535,374</u>	<u>\$ 1,639,634</u>	<u>\$ 1,807,621</u>

(Unaudited)

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

TABLE 3

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund				
Reserved	\$ 774,265	\$ 805,414	\$ 469,233	\$ 818,218
Unreserved	4,929,957	5,036,106	5,135,143	5,082,859
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 5,704,222</u>	<u>\$ 5,841,520</u>	<u>\$ 5,604,376</u>	<u>\$ 5,901,077</u>
All other governmental funds				
Reserved	\$ 1,421,479	\$ 901,575	\$ 1,027,125	\$ 1,035,266
Unreserved, reported in:				
Special revenue funds	2,687,517	4,152,715	4,557,513	5,151,032
Debt service fund	682,837	1,106,176	923,407	1,161,822
Capital projects fund	318,292	2,350,554	944,222	48,495
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 5,110,125</u>	<u>\$ 8,511,020</u>	<u>\$ 7,452,267</u>	<u>\$ 7,396,615</u>

Note:

Isanti County implemented GASB 54 for the fiscal year ended December 31, 2011. Prior year amounts were not restated.

Source: Isanti County's annual financial statements

TABLE 3
(Continued)

2006	2007	2008	2009	2010	2011
\$ 963,218	\$ 883,150	\$ 1,020,160	\$ 1,119,923	\$ 1,197,942	\$ -
4,641,755	3,722,239	3,655,617	3,218,112	4,004,329	-
-	-	-	-	-	244,149
-	-	-	-	-	1,087,236
-	-	-	-	-	436,478
-	-	-	-	-	525,000
-	-	-	-	-	2,005,329
<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>	<u>\$ 4,298,192</u>
\$ 954,317	\$ 786,628	\$ 572,194	\$ 818,083	\$ 1,344,227	\$ -
6,138,638	5,501,822	5,439,472	5,909,472	4,831,556	-
1,049,618	1,232,621	1,352,409	1,390,366	1,418,813	-
(921,297)	(490,888)	1,150,837	270,875	146,545	-
-	-	-	-	-	889,769
-	-	-	-	-	1,766,348
-	-	-	-	-	5,356,070
<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>	<u>\$ 8,012,187</u>

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

TABLE 4

	2002	2003	2004	2005
Revenues				
Taxes	\$ 8,893,377	\$ 9,671,669	\$ 10,420,993	\$ 11,308,110
Special assessments	-	-	-	-
Licenses and permits	601,015	649,094	669,271	711,245
Intergovernmental	16,492,300	13,676,214	13,394,848	13,352,203
Charges for services	1,519,527	1,647,093	1,482,161	1,794,946
Fines and forfeits	240,591	234,082	269,065	339,462
Gifts and contributions	51,238	94,330	147,535	30,656
Investment earnings	473,473	249,120	329,323	354,817
Miscellaneous	1,556,683	2,512,619	1,602,947	1,115,888
Total revenues	\$ 29,828,204	\$ 28,734,221	\$ 28,316,143	\$ 29,007,327
Expenditures				
General government	\$ 4,612,223	\$ 4,881,832	\$ 5,040,806	\$ 5,305,942
Public safety	4,493,739	4,625,076	5,045,893	5,159,033
Highways and streets	5,608,066	4,066,247	4,039,828	4,586,393
Sanitation	411,886	13,153	103,496	585
Human services	9,583,906	9,131,407	9,132,197	8,700,846
Health	1,133,080	1,161,940	1,242,222	1,340,376
Culture and recreation	195,754	95,574	146,570	205,655
Conservation of natural resources	281,148	226,194	232,290	241,606
Economic development	561,786	575,209	646,513	662,598
Intergovernmental	263,711	511,610	503,537	496,878
Capital outlay	50,865	667,813	3,699,549	1,409,906
Debt service				
Principal	6,334,015	1,639,573	775,000	315,000
Interest	569,377	314,832	414,411	359,338
Other charges	-	36,876	28,944	3,107
Total expenditures	\$ 34,099,556	\$ 27,947,336	\$ 31,051,256	\$ 28,787,263
Excess of revenues over (under) expenditures	\$ (4,271,352)	\$ 786,885	\$ (2,735,113)	\$ 220,064
Other financing sources (uses)				
Transfers in	\$ 1,787	\$ 444,939	\$ 679,572	\$ -
Transfers out	(1,787)	(444,939)	(679,572)	-
Bonds issued	-	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	-	-	-	-
Insurance proceeds	-	-	-	-
Sale of capital assets	-	-	3,656	8,037
Total other financing sources (uses)	\$ -	\$ 2,730,348	\$ 1,390,770	\$ 8,037
Net change in fund balances	\$ (4,271,352)	\$ 3,517,233	\$ (1,344,343)	\$ 228,101
Debt service as a percentage of noncapital expenditures	20.66%	7.91%	4.96%	2.67%

Source: Isanti County's annual financial statements

TABLE 4
(Continued)

	2006	2007	2008	2009	2010	2011
\$	11,729,027	\$ 12,406,125	\$ 13,802,898	\$ 14,266,769	\$ 14,458,513	\$ 14,297,088
	2,236	10,655	1,462	1,424	10,995	2,593
	510,976	487,477	347,250	268,812	235,424	274,255
	16,634,510	15,156,140	16,015,507	15,632,755	16,991,678	15,882,255
	2,045,560	1,950,031	1,833,989	1,676,021	1,888,125	2,003,409
	121,302	86,811	66,991	86,378	117,371	82,836
	126,326	174,306	119,266	244,308	219,145	243,221
	550,972	664,535	456,703	273,722	166,167	185,734
	1,203,521	1,662,418	1,403,640	1,613,381	1,168,041	1,269,851
\$	<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>	<u>\$ 34,241,242</u>
\$	5,353,483	\$ 6,141,306	\$ 6,189,568	\$ 6,108,063	\$ 6,289,752	\$ 6,123,554
	5,444,616	6,475,597	6,794,529	6,496,230	6,945,759	7,342,617
	6,320,139	5,005,557	5,177,821	5,344,762	6,583,903	5,924,522
	-	-	-	-	-	-
	9,656,824	11,004,697	11,410,550	11,161,787	10,761,571	10,462,340
	1,434,575	1,095,877	1,308,310	1,185,350	1,222,913	1,280,230
	257,041	1,394,436	252,332	317,621	245,272	574,326
	299,845	266,860	310,719	232,374	197,787	185,641
	774,164	990,885	1,205,384	1,208,924	1,061,383	1,178,860
	535,697	364,882	587,215	603,628	615,399	642,409
	2,463,789	1,781,718	400,090	761,122	619,425	177,466
	550,000	1,063,351	715,000	775,000	805,000	835,000
	364,696	366,145	343,909	420,853	372,340	353,657
	3,126	84,900	45,977	2,307	28,319	5,681
\$	<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>\$ 35,086,303</u>
\$	<u>(533,565)</u>	<u>\$ (3,437,713)</u>	<u>\$ (693,698)</u>	<u>\$ (554,451)</u>	<u>\$ (493,364)</u>	<u>\$ (845,061)</u>
\$	426,817	\$ 447,021	\$ 666,842	\$ 2,521	\$ 1,402,208	\$ 19,725
	(426,817)	(447,021)	(666,842)	(2,521)	(1,402,208)	(19,725)
	-	5,945,000	2,155,000	-	-	-
	-	8,220	36,730	-	-	-
	-	-	-	-	-	-
	-	(3,771,649)	-	-	-	-
	-	-	-	-	680,000	-
	-	-	-	-	-	23,250
	-	-	-	-	-	2,300
\$	<u>-</u>	<u>\$ 2,181,571</u>	<u>\$ 2,191,730</u>	<u>\$ -</u>	<u>\$ 680,000</u>	<u>\$ 25,550</u>
\$	<u>(533,565)</u>	<u>\$ (1,256,142)</u>	<u>\$ 1,498,032</u>	<u>\$ (554,451)</u>	<u>\$ 186,636</u>	<u>\$ (819,511)</u>
	3.46%	4.82%	3.46%	3.99%	3.84%	3.86%

(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
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
2011	16,588,485	6,650,916	4,215,807	3,956,251	622,288	32,033,747	3,139,522,300	1.02%	48.654

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	
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
2011	27.412	10.576	6.664	4.002	48.654	29.170	30.886	0.401	109.111
Tax Year 2011									
Number of taxing districts						17	9	2	
Minimum tax capacity rate						13.465	17.347	0.184	
Maximum tax capacity rate						72.220	43.489	0.617	

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 proportion 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

2011			2002		
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	\$ 325,302	1.02%	East Central Energy	\$ 107,141	0.69%
Wal-Mart Real Estate Business Trust	203,322	0.63%	Target Corporation	97,684	0.63%
East Central Energy	170,662	0.53%	United Power Association	89,494	0.58%
Target Corporation	136,076	0.42%	Wal-Mart Stores Inc.	75,701	0.49%
Menards Inc.	130,380	0.41%	L & P Acquisition Company - 45	67,482	0.43%
Centerpoint Energy	113,858	0.36%	Memorial Hospital Association of Cambridge	63,452	0.41%
Lowe's Home Centers Inc.	101,280	0.32%	Allina Medical Clinic	51,697	0.33%
United Power Association	100,260	0.31%	Burlington Northern Sante Fe Railroad	48,776	0.31%
Burlington Northern Santa Fe	92,399	0.29%	Minnesota Intrastate Transportation System	48,306	0.31%
Lakeland Construction Finance LLC	89,650	0.28%	Motek Engineering & Manufacturing Co.	47,226	0.30%
Total principal taxpayers	\$ 1,463,189	4.57%	Total principal taxpayers	\$ 696,959	4.48%
All other taxpayers	30,570,558	95.43%	All other taxpayers	14,857,518	95.52%
Total	<u>\$ 32,033,747</u>	<u>100.00%</u>	Total	<u>\$ 15,554,477</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
2002	\$ 9,901,872	\$ 9,671,570	97.67%	\$ 228,965	\$ 9,900,535	99.99%	\$ 1,337	0.01%
2003	10,794,578	10,551,346	97.75%	242,024	10,793,370	99.99%	1,208	0.01%
2004	11,642,555	11,388,697	97.82%	251,740	11,640,437	99.98%	2,118	0.02%
2005	12,295,435	12,000,081	97.60%	290,932	12,291,013	99.96%	4,422	0.04%
2006	12,966,766	12,550,950	96.79%	403,526	12,954,476	99.91%	12,290	0.09%
2007	13,782,283	13,283,278	96.38%	478,560	13,761,838	99.85%	20,445	0.15%
2008	14,876,597	14,222,816	95.61%	594,748	14,817,564	99.60%	59,033	0.40%
2009	15,322,895	14,734,167	96.16%	470,907	15,205,074	99.23%	117,821	0.77%
2010	15,368,864	14,584,002	94.89%	290,726	14,874,728	96.78%	494,136	3.22%
2011	15,476,446	14,611,604	94.41%	-	14,611,604	94.41%	864,842	5.59%

Note:

The total net tax levy includes credits to property owners reimbursed to the County by the State of Minnesota. In 2010 and 2011, the state did not reimburse the full amount of the credits to the County. As a result, the County will never collect the full amount of the net tax levies for those years. The 2010 amount not reimbursed was \$317,985 and the 2011 amount was \$439,895.

Source: Isanti County Auditor-Treasurer's Office

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			
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	0.80%
2010	9,440,000	680,000	-	10,120,000	268	0.75%
2011	8,605,000	680,000	-	9,285,000	n/a	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
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
2011	9,285,000	-	9,285,000	1,460,721	7,824,279	0.25%	n/a

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, 2011

TABLE 11

<u>Governmental Unit</u>	<u>General Obligation Debt Outstanding¹</u>	<u>Percentage of Tax Capacity in Isanti County²</u>	<u>General Obligation Debt Applicable to Isanti County</u>
Direct			
Isanti County	\$ 9,285,000	100.00%	\$ 9,285,000
Overlapping			
City of Braham	\$ 3,703,228	99.96%	\$ 3,701,901
City of Cambridge	11,177,103	100.00%	11,177,103
City of Isanti	17,560,261	100.00%	17,560,261
Town of North Branch	290,000	100.00%	290,000
Independent School District #15	40,630,000	6.95%	2,823,450
Independent School District #138	38,045,000	9.94%	3,781,903
Independent School District #314	8,765,000	52.87%	4,634,252
Independent School District #332	4,670,000	0.01%	587
Independent School District #333	2,095,000	6.02%	126,222
Independent School District #477	24,390,000	15.80%	3,853,074
Independent School District #728	265,345,000	0.01%	13,402
Independent School District #911	50,720,000	96.75%	49,072,665
Independent School District #912	22,760,000	0.60%	135,956
Total overlapping	\$ 490,150,592		\$ 97,170,776
Total direct and overlapping debt	\$ 499,435,592		\$ 106,455,776

Note:

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

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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total market value of taxable property	\$ 1,502,164,000	\$ 1,724,082,600	\$ 2,018,201,200	\$ 2,375,005,700	\$ 2,766,434,000
Debt limit**	\$ 30,043,280	\$ 34,481,652	\$ 40,364,024	\$ 47,500,114	\$ 55,328,680
Debt applicable to limit					
General obligation bonds and notes	\$ 7,550,000	\$ 8,710,000	\$ 9,335,000	\$ 9,020,000	\$ 8,470,000
Less: amounts set aside for repayment of general obligation debt	<u>(1,485,790)</u>	<u>(1,607,429)</u>	<u>(1,425,766)</u>	<u>(1,668,455)</u>	<u>(1,559,827)</u>
Total net debt applicable to the limit	\$ 6,064,210	\$ 7,102,571	\$ 7,909,234	\$ 7,351,545	\$ 6,910,173
Legal debt margin	<u>\$ 23,979,070</u>	<u>\$ 27,379,081</u>	<u>\$ 32,454,790</u>	<u>\$ 40,148,569</u>	<u>\$ 48,418,507</u>
Total debt applicable to the limit as a percentage of debt limit	20.18%	20.60%	19.59%	15.48%	12.49%
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total market value of taxable property	\$ 3,132,883,700	\$ 3,409,144,200	\$ 3,569,260,500	\$ 3,578,194,100	\$ 3,139,522,300
Debt limit**	\$ 62,657,674	\$ 102,274,326	\$ 107,077,815	\$ 107,345,823	\$ 94,185,669
Debt applicable to limit					
General obligation bonds and notes	\$ 9,580,000	\$ 11,020,000	\$ 10,245,000	\$ 10,120,000	\$ 9,285,000
Less: amounts set aside for repayment of general obligation debt	<u>(1,232,621)</u>	<u>(1,352,409)</u>	<u>(1,390,366)</u>	<u>(1,418,813)</u>	<u>(1,460,721)</u>
Total net debt applicable to the limit	\$ 8,347,379	\$ 9,667,591	\$ 8,854,634	\$ 8,701,187	\$ 7,824,279
Legal debt margin	<u>\$ 54,310,295</u>	<u>\$ 92,606,735</u>	<u>\$ 98,223,181</u>	<u>\$ 98,644,636</u>	<u>\$ 86,361,390</u>
Total debt applicable to the limit as a percentage of debt limit	13.32%	9.45%	8.27%	8.11%	8.31%

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>Population¹</u>	<u>Population Growth</u>	<u>Personal Income² (in thousands)</u>	<u>Per Capita Personal Income²</u>	<u>Unemployment Rates³</u>		
					<u>Isanti County</u>	<u>State of Minnesota</u>	<u>United States</u>
2002	33,757	4.41%	974,882	29,179	5.30%	4.50%	5.80%
2003	35,321	4.63%	1,021,493	29,393	5.70%	4.90%	6.00%
2004	36,512	3.37%	1,093,100	30,712	5.20%	4.60%	5.60%
2005	37,699	3.25%	1,137,601	31,253	5.00%	4.20%	5.10%
2006	38,436	1.95%	1,214,850	32,672	5.00%	4.10%	4.60%
2007	38,881	1.16%	1,281,551	33,983	6.00%	4.60%	4.60%
2008	39,059	0.46%	1,312,952	34,687	6.80%	5.40%	5.80%
2009	39,176	0.30%	1,282,673	33,925	10.40%	8.10%	9.30%
2010	37,816	-3.47%	1,351,877	35,673	9.20%	7.30%	9.60%
2011	n/a	n/a	n/a	n/a	8.10%	6.40%	8.90%

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 Eight Years Ago**

TABLE 14

2011			2003		
Employer ¹	Estimated Number of Employees ¹	Estimated Percentage of Total County Employment	Employer ¹	Estimated Number of Employees ¹	Estimated Percentage of Total County Employment
Cambridge Medical Center	834	4.16%	Cambridge Medical Center	930	4.90%
I.S.D. No. 911	780	3.89%	I.S.D. No. 911	697	3.67%
Grace Pointe Crossing	421	2.10%	Wal-Mart Supercenter	515	2.71%
Wal-Mart Supercenter	412	2.06%	Grandview Christian Home	410	2.16%
Isanti County	274	1.37%	Isanti County	281	1.48%
TEAM Industries Cambridge, Inc.	186	0.93%	TEAM Industries Cambridge, Inc.	240	1.26%
Arrow Tank & Engineering Co.	171	0.85%	Cambridge Metals & Plastics Inc.	208	1.09%
East Central Electric Energy	160	0.80%	Cambridge Health Care Center	200	1.05%
Minnesota Extended Treatment Options	150	0.75%	Minnesota Extended Treatment Options	190	1.00%
Menards	130	0.65%	I.S.D. No. 314	139	0.73%
Total Principal Employers	<u>3,518</u>	<u>17.56%</u>	Total Principal Employers	<u>3,810</u>	<u>20.05%</u>
Total County Employment²	20,042		Total County Employment²	18,997	

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 Nine Fiscal Years**

TABLE 16

Function and program	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government									
Drivers licenses processed	10,821	11,490	11,045	10,834	10,765	11,430	10,670	10,537	10,947
Warrants issued	n/a	n/a	n/a	7,883	7,964	7,767	8,918	7,074	6,919
Number of parcels	19,583	20,276	20,992	21,890	22,215	22,298	22,378	22,919	21,185
New housing permits issued	159	162	100	62	55	27	18	16	16
Building permits issued	654	604	553	448	818	613	424	402	642
Veteran services intake cases	526	567	650	796	706	1,149	1,118	1,253	n/a
Veteran medical care applications	n/a	n/a	59	57	38	145	192	188	n/a
Public safety									
Arrests by county sheriff department	253	236	279	317	213	222	160	211	n/a
Applications for permits to carry handguns	n/a	n/a	96	105	103	267	260	159	224
Adult probation offenders	591	700	892	914	1,155	965	956	849	829
Juvenile probation offenders	313	271	287	213	202	294	225	202	218
Highways and streets									
Active road projects	29	35	25	25	23	25	14	24	28
Health									
Family health referrals	n/a	460	575	527	491	282	198	216	390
WIC participants	n/a	902	1,131	1,939	2,091	2,325	2,088	2,046	1,781
Immunizations provided	n/a	n/a	n/a	746	764	570	341	546	112
Long-term care clients	n/a	141	137	190	215	219	223	276	201
Emergency preparedness exercises	n/a	3	6	4	10	12	11	6	8
Human services									
Active child support cases	n/a	1,993							
Food support cases	n/a	1,378							
County burials	n/a	14							
Rule 25 chemical assessments	n/a	213							
Child protection intake cases	n/a	1,063							
Mental health clients served	n/a	291							

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 Nine 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>	<u>2011</u>
General government									
Buildings	1	1	1	1	2	2	2	2	2
Public safety									
Number of squad cars	23	25	26	26	24	22	22	22	22
Highways and streets									
Buildings	1	1	1	1	1	1	1	1	1
Miles	360	360	360	359	359	359	359	359	358
Economic development									
Number of transit buses	7	7	7	8	9	9	9	8	9

Note

Isanti County could provide only nine 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Assessor	6	6	6	6	6	6	5	5	4	5
Attorney	12	12	12	12	12	12	12	12	12	12
Auditor-Treasurer	8	8	8	10	10	10	13	13	12	13
Buildings and maintenance	6	6	6	7	7	8	8	8	7	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	11	11	11	-	-	-	-	-	-	-
Information systems	2	2	2	2	2	2	2	2	2	2
Recorder	4	4	5	4	4	4	4	4	4	4
Treasurer	5	2	3	3	3	3	-	-	-	-
Veterans services	2	2	2	2	2	4	4	4	4	3
Victim services	2	2	2	2	2	2	2	2	2	2
Zoning	7	7	7	7	7	7	5	5	4	4
Public safety										
Emergency management	1	1	1	1	1	1	2	2	2	1
Probation	9	8	10	11	13	13	13	12	13	13
Sheriff	60	62	65	70	71	77	77	75	74	74
Highways and streets										
Highway	21	20	21	20	21	20	21	20	20	19
Health										
Public health	23	21	20	23	23	20	21	20	19	19
Human services										
Family services	57	61	61	64	68	71	71	68	65	70
Culture and recreation										
Parks and recreation	1	1	1	1	2	2	2	3	3	3
Conservation of natural resources										
Agricultural inspector	1	1	1	1	1	1	1	-	-	-
County extension service	1	3	1	1	1	1	1	1	1	1
Economic development										
Transit	8	9	11	11	11	11	12	11	13	14
Total	255	257	264	266	275	283	284	275	269	274

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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