

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**CHISAGO COUNTY**  
**CENTER CITY, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2005**

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

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

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

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

**Audit Practice** - conducts financial and legal compliance audits for local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

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

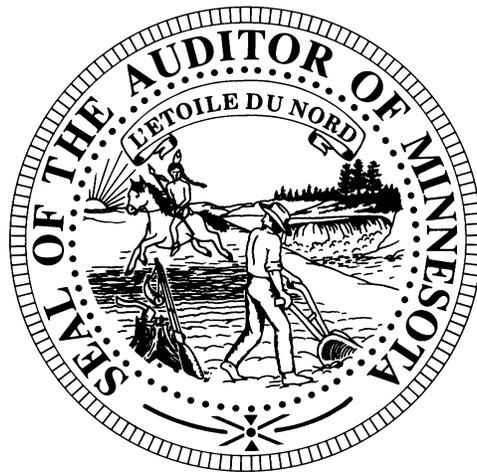
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**Year Ended December 31, 2005**



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

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	14
Statement of Activities	Exhibit 2	15
Fund Financial Statements		
Balance Sheet - Governmental Funds	Exhibit 3	17
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	Exhibit 5	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	24
Budgetary Comparison Schedules		
General Fund	Schedule 1	25
Road and Bridge Special Revenue Fund	Schedule 2	28
Human Services Special Revenue Fund	Schedule 3	29
Capital Equipment Special Revenue Fund	Schedule 4	30
Statement of Fiduciary Net Assets - Fiduciary Funds	Exhibit 7	32
Notes to the Financial Statements		33
 Combining and Individual Fund Statements and Schedules		
Nonmajor Governmental Funds		73
Combining Balance Sheet	Statement 1	75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement 2	77

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
<b>Financial Section</b>		
Combining and Individual Fund Statements and Schedules		
Nonmajor Governmental Funds (Continued)		
Budgetary Comparison Schedules		
County Building Special Revenue Fund	Schedule 5	79
Parks Special Revenue Fund	Schedule 6	80
Ditch Special Revenue Fund	Schedule 7	81
Lake Improvement District Special Revenue Fund	Schedule 8	82
South Sewer District Special Revenue Fund	Schedule 9	83
Nursing Home Special Revenue Fund	Schedule 10	84
Solid Waste Special Revenue Fund	Schedule 11	85
Agency Funds		86
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	Statement 3	87
Supporting Schedules		
Schedule of Deposits and Investments	Schedule 12	90
Tax Capacity, Tax Rates, Levies, and Percentage of Collections	Schedule 13	92
Balance Sheet - By Ditch - Ditch Special Revenue Fund	Schedule 14	94
Schedule of Intergovernmental Revenue	Schedule 15	96
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs	Schedule 16	97
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		109
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		111
Schedule of Expenditures of Federal Awards	Schedule 17	114



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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**ORGANIZATION  
2005**

Office	Name	Term of Office	
		From	To
<b>Commissioners</b>			
1st District	Lynn Schultz	January 2005	January 2009
2nd District	Rick Olseen	January 2003	January 2007
3rd District	Robert Gustafson <sup>2</sup>	January 2005	January 2009
4th District	Ben Montzka	January 2003	January 2007
5th District	Mike Robinson <sup>1</sup>	January 2005	January 2009
<b>Officers</b>			
<b>Elected</b>			
Attorney	Katherine M. Johnson	January 2003	January 2007
Auditor	Dennis Freed	January 2003	January 2007
Sheriff	Todd Rivard	January 2003	January 2007
Treasurer	Lee Olson	January 2003	January 2007
<b>Appointed</b>			
Administrator	John Moosey		Indefinite
Assessor	John Keefe	January 2005	December 2009
Court Administrator	Kathleen Karnowski		Indefinite
Coroner	Lindsey C. Thomas	January 2005	December 2007
Examiner of Titles	Joseph Anderson		Indefinite
Highway Engineer	Bill Malin	May 2005	May 2009
Probation Officer	Steven Paquay		Indefinite
Recorder/Registrar of Titles	Thora Fisko		Indefinite
Surveyor	Terry Johnson		Indefinite
Veterans Service Officer/Civil Defense	James Halstrom	November 2002	November 2006
Health and Human Services Director	David Sainio		Indefinite

<sup>1</sup>Chair 2006

<sup>2</sup>Chair 2005

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# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON  
STATE AUDITOR

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Chisago County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County, Minnesota, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Chisago County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County as of December 31, 2005, and the respective changes in financial position thereof and the respective budgetary comparison schedules for the General Fund and the Road and Bridge, Human Services, and Capital Equipment Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2006, on our consideration of Chisago County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

*/s/Pat Anderson*

*/s/Greg Hierlinger*

PATRICIA ANDERSON  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 24, 2006

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

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2005

(Unaudited)

As management of Chisago County, we offer readers of the Chisago County financial statements this narrative overview and analysis of the financial activities of Chisago County for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of Chisago County exceeded its liabilities by approximately \$85.7 million at the close of 2005. Of this amount, \$10,415,734 (unrestricted net assets) may be used to meet Chisago County's ongoing obligations to citizens and creditors.
- Chisago County's total net assets increased by \$8,454,189. This is attributable primarily to road construction and maintenance projects being capitalized and additional grant programs.
- At the close of 2005, Chisago County's governmental funds reported combined ending fund balances of \$23,939,822, an increase of \$3,689,758 from the previous year-end balance. At the end of the year, Chisago County's unreserved fund balance totaled \$20,770,855, which is available for spending at the County Board's discretion.
- At the close of 2005, unreserved fund balance for the General Fund was \$6,956,416, or 41.3 percent, of total General Fund expenditures.
- Chisago County's bonds and notes payable increased by \$7,479,169, or 58.4 percent, during 2005. The key factors in the increase were the issuance of \$7,000,000 in General Obligation Road Bonds and \$1,500,000 in Capital Equipment Notes.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management's Discussion and Analysis is intended to serve as an introduction to Chisago County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains supporting schedules in addition to the basic financial statements themselves.

## **Government-Wide Financial Statements**

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

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

The statement of activities presents information showing how the government's net 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 expenses 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 revenues. The governmental activities of Chisago County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest.

## **Fund Level Financial Statements**

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

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

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

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

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

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided.

### Other Information

In addition to the basic financial statements and notes, Chisago County also provides supporting schedules on Chisago County's deposits and investments, taxes, individual ditch balances, and intergovernmental revenues.

Chisago County adopts an annual budget for its major funds. A budgetary comparison statement has been provided for the County's major funds to demonstrate compliance with these budgets.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Chisago County's assets exceeded liabilities by \$85,720,187 at the close of 2005. The largest portion of Chisago County's net assets (85 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets still outstanding. However, it should be noted that these assets are not available for future spending.

#### Governmental Net Assets

	2005	2004 (Restated)
Current and other assets	\$ 29,055,248	\$ 26,127,548
Capital assets	92,855,852	77,202,915
Total Assets	\$ 121,911,100	\$ 103,330,463

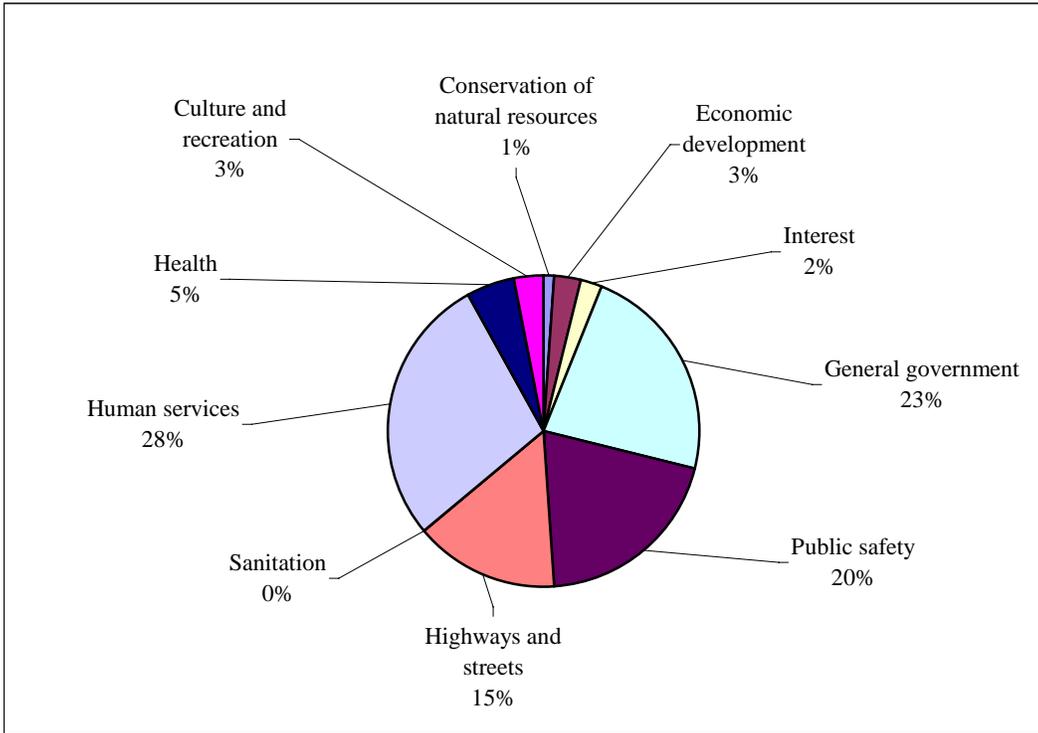
	2005	2004 (Restated)
Long-term liabilities outstanding	\$ 32,152,915	\$ 21,424,473
Other liabilities	4,037,998	4,639,992
<b>Total Liabilities</b>	<b>\$ 36,190,913</b>	<b>\$ 26,064,465</b>
Net Assets		
Invested in capital assets, net of related debt	\$ 72,572,189	\$ 65,187,280
Restricted	2,732,264	2,157,492
Unrestricted	10,415,734	9,921,226
<b>Total Net Assets</b>	<b>\$ 85,720,187</b>	<b>\$ 77,265,998</b>

The unrestricted net asset amount of \$10,415,734 as of December 31, 2005, may be used to meet the County's ongoing obligations to citizens and creditors. Chisago County's activities increased net assets by \$8,454,189, or 10.94 percent, over the 2004 net assets. Revenues exceeded expenses at a pace similar to the previous year with similar results. The key element to the increase in revenues was attributable to property tax revenue. Expenses had a slight increase over the previous year, with the most significant changes occurring in general government, culture and recreation, and interest.

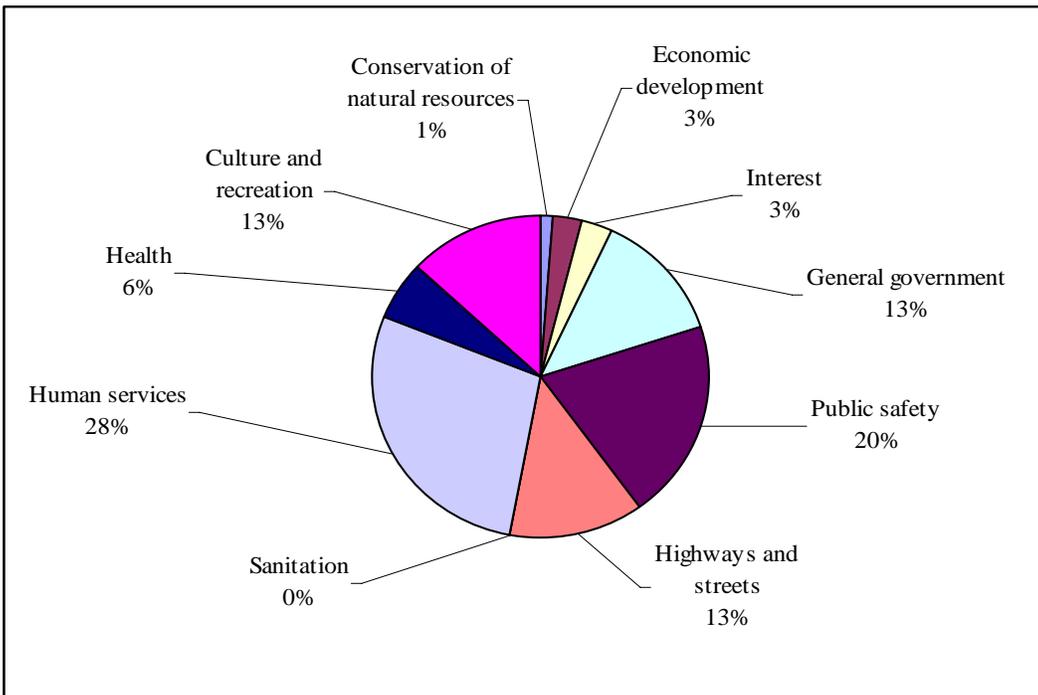
#### Changes in Net Assets

	2005	2004
Revenues		
Program revenues		
Charges for services	\$ 6,223,659	\$ 6,186,185
Operating grants and contributions	10,129,585	9,633,346
Capital grants and contributions	4,428,379	6,969,988
General revenues		
Property taxes	21,519,837	18,538,769
Other	4,832,625	5,029,381
<b>Total Revenues</b>	<b>\$ 47,134,085</b>	<b>\$ 46,357,669</b>
Expenses		
General government	\$ 5,156,497	\$ 8,428,734
Public safety	7,626,890	7,311,834
Highways and streets	4,901,118	5,353,007
Sanitation	70,095	180,781
Human services	11,048,988	10,077,664
Health	2,145,158	1,993,905
Culture and recreation	5,031,182	995,359
Conservation of natural resources	509,716	493,022
Economic development	1,041,646	925,765
Interest	1,148,606	764,906
<b>Total Expenses</b>	<b>\$ 38,679,896</b>	<b>\$ 36,524,977</b>
<b>Increase in Net Assets</b>	<b>\$ 8,454,189</b>	<b>\$ 9,832,692</b>
Net Assets - January 1, restated	77,265,998	67,433,306
<b>Net Assets - December 31</b>	<b>\$ 85,720,187</b>	<b>\$ 77,265,998</b>

**Expenses by Function - 2004**

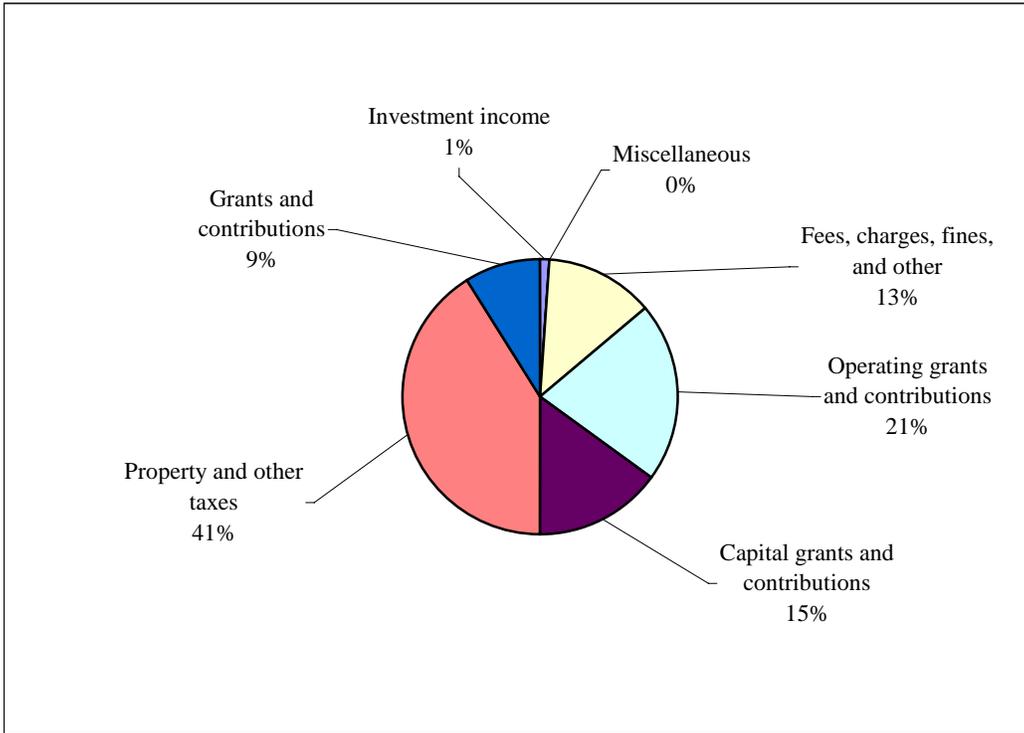


**Expenses by Function - 2005**

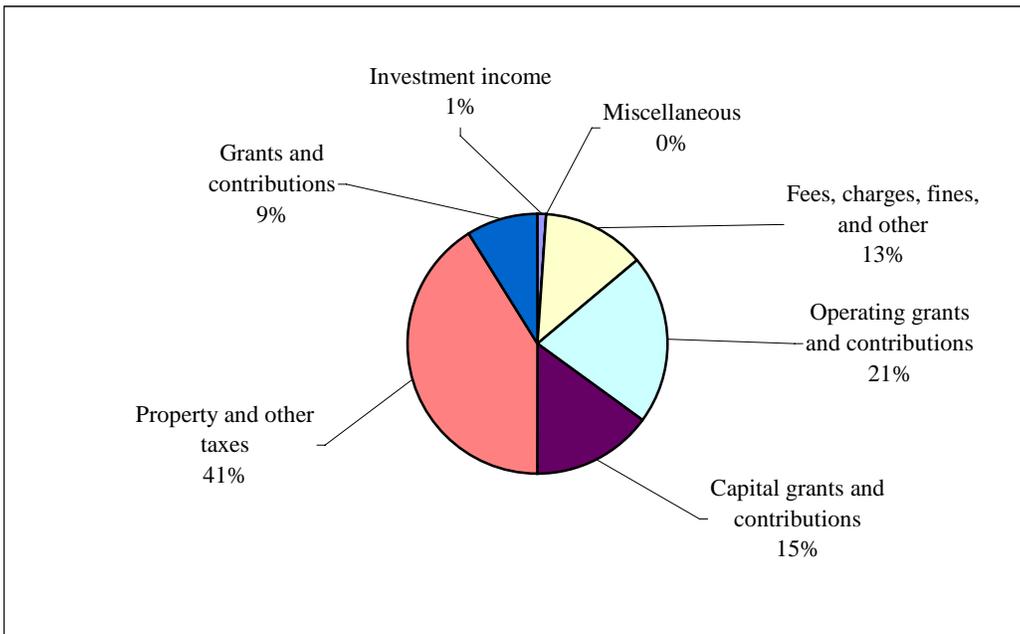


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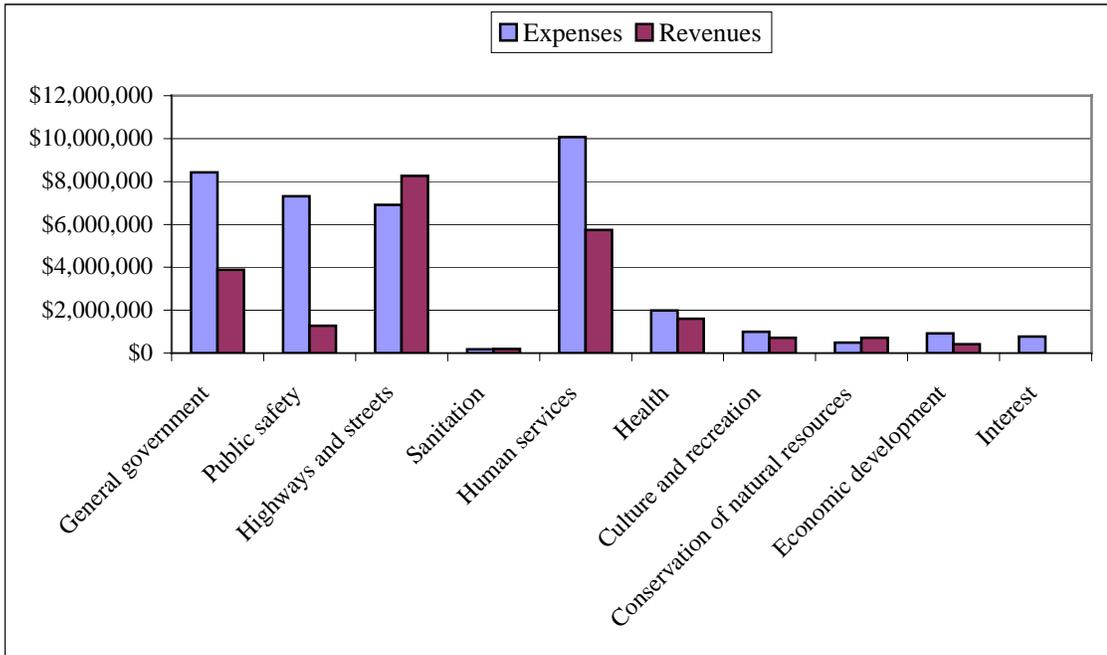
**Revenues by Source - 2004**



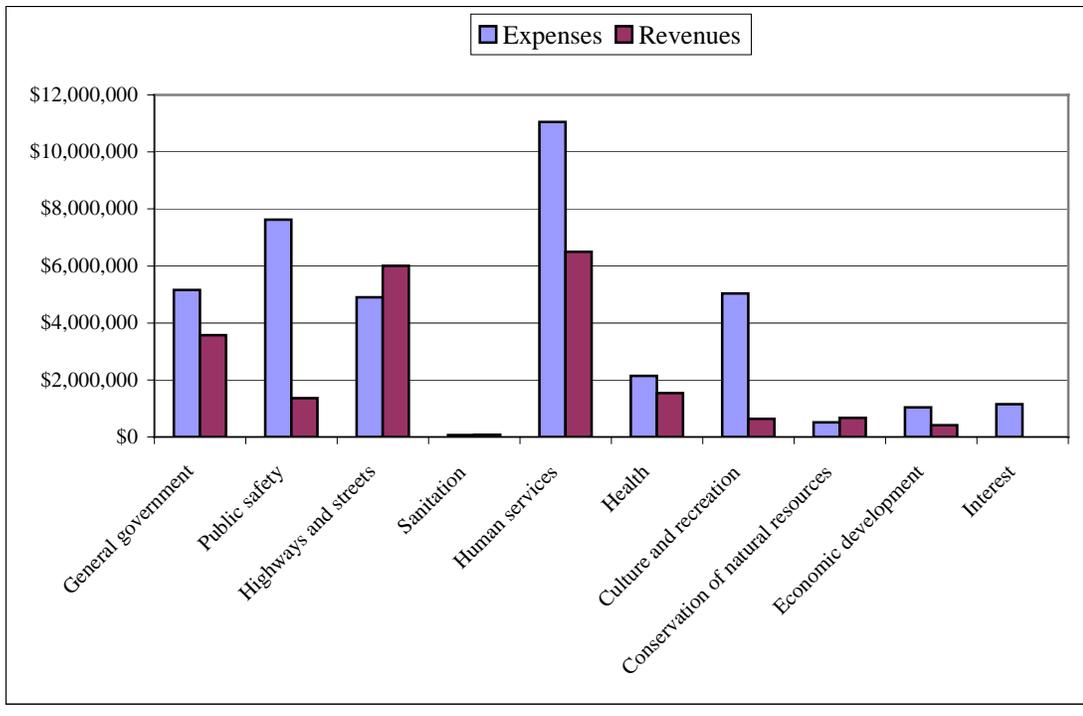
**Revenues by Source - 2005**



**Expenses and Program Revenues - 2004**



**Expenses and Program Revenues - 2005**



## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

### **Governmental Funds**

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$23,939,822, an increase of \$3,689,758 in comparison with the prior year. Unreserved fund balance of \$20,770,855 is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Chisago County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,956,416. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 41.3 percent of total General Fund expenditures. In 2005, ending fund balance in the General Fund increased by \$1,403,011. The primary reason for this increase was higher than expected revenues and lower than expected expenditures in 2005.

The Road and Bridge Special Revenue Fund's fund balance increased \$383,035 in 2005. Expenditures exceeded the amount budgeted by \$6,639,411. However, proceeds from bonds of \$7,000,000 offset the budget deficit, accounting for the fund balance increase.

The Human Services Special Revenue Fund's fund balance decreased \$263,658 from the prior year due to lower than expected revenues and higher than expected expenditures in 2005.

The Capital Equipment Special Revenue Fund's fund balance increased \$1,687,177, due primarily to the issuance of \$1,500,000 of capital notes and increased tax receipts.

### **General Fund Budgetary Highlights**

Differences between the original expenditure budget and the final amended budget were relatively minor. Actual revenues exceeded budgeted revenues by \$1,231,578. The largest variances were attributed to taxes, intergovernmental revenue, and charges for services. Actual expenditures were less than budgeted expenditures by \$758,172. The largest variance was attributed to general government.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County's capital assets for its governmental activities at December 31, 2005, totaled \$92,855,852 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$15,652,937, or 20.3 percent, from the previous year. The major events affecting this increase were: (1) additions to construction in progress for the County's infrastructure and County libraries totaling \$934,498, and (2) capitalization of County infrastructure (primarily for County state-aid highway roads) totaling \$16,234,089.

	Governmental Capital Assets (Net of Depreciation)	
	2005	2004 (Restated)
Land	\$ 1,324,672	\$ 1,324,672
Construction in progress	8,579,936	7,645,438
Building	9,640,293	10,013,393
Machinery, vehicles, furniture, and equipment	3,608,664	3,299,661
Infrastructure	69,702,287	54,919,751
Total	<u>\$ 92,855,852</u>	<u>\$ 77,202,915</u>

### Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$20,287,491, which was backed by the full faith and credit of the government. Additionally, as party to a joint powers agreement, the County is contingently liable in the amount of \$792,400 for outstanding debt of the East Central Solid Waste Commission, as described in the notes to the financial statements.

	Outstanding Debt	
	2005	2004
General obligation bonds	\$ 18,620,000	\$ 12,490,000
General obligation capital notes	1,667,491	318,322
Total Long-Term Debt	<u>\$ 20,287,491</u>	<u>\$ 12,808,322</u>

The County's debt related to general obligation bonds and notes increased by \$7,479,169 (58.4 percent) during the fiscal year. The increase was due to the issuance of the bonds for financing County road construction projects and the issuance of capital notes to finance the County's equipment needs.

Minnesota statutes limit the amount of debt a county may levy to two percent of its total market value. At the end of 2005, Chisago County was well below the two percent debt limit imposed by state statutes.

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

- Chisago County's unemployment rate was 4.6 percent at the end of 2005. The statewide rate was 4.0 percent. The national rate was 5.1 percent.
- A rise in mortgage interest rates and higher gas prices may affect future residential growth in the County.
- At the end of 2005, Chisago County approved its 2006 revenue and expenditure budgets.

### **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

	<b>Primary Government Governmental Activities</b>	<b>Discretely Presented Component Unit</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 25,129,560	\$ 3,271,109
Receivables - net	2,696,488	10,297
Due from component unit	437,606	-
Inventories	436,703	-
Prepaid items	49,510	-
Advances to other governments	-	59,381
Advances to other agencies	165,242	-
Deferred charges	140,139	136,488
Land held for development	-	518,497
Capital lease receivable	-	8,238,084
Capital assets		
Non-depreciable capital assets	9,904,608	1,479,111
Depreciable capital assets - net of accumulated depreciation	82,951,244	3,368,176
<b>Total Assets</b>	<b>\$ 121,911,100</b>	<b>\$ 17,081,143</b>
<b><u>Liabilities</u></b>		
Accounts payable and other current liabilities	\$ 3,617,068	\$ 322,065
Accrued interest payable	344,305	199,202
Due to primary government	-	437,606
Security deposits	-	21,183
Unearned revenue	76,625	-
Long-term liabilities		
Due within one year	3,301,292	889,563
Due in more than one year	28,851,623	13,431,670
<b>Total Liabilities</b>	<b>\$ 36,190,913</b>	<b>\$ 15,301,289</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 72,572,189	\$ 606,380
Restricted for		
Highways and streets	491,276	-
Human services	165,242	-
Debt service	2,075,746	-
Land acquisition	-	379,145
Unrestricted	10,415,734	794,329
<b>Total Net Assets</b>	<b>\$ 85,720,187</b>	<b>\$ 1,779,854</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Expenses</b>	<b>Fees Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
<b>Primary Government</b>		
<b>Governmental activities</b>		
General government	\$ 5,156,497	\$ 2,787,038
Public safety	7,626,890	769,629
Highways and streets	4,901,118	81,940
Sanitation	70,095	56,761
Human services	11,048,988	792,037
Health	2,145,158	729,266
Culture and recreation	5,031,182	587,416
Conservation of natural resources	509,716	7,080
Economic development	1,041,646	412,492
Interest	1,148,606	-
<b>Total Primary Government</b>	<b>\$ 38,679,896</b>	<b>\$ 6,223,659</b>
<b>Component Unit</b>		
Housing and Redevelopment Authority Economic Development Authority	<b>\$ 5,728,425</b>	<b>\$ 881,761</b>

**General Revenues**

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

**Total general revenues**

**Change in net assets**

**Net Assets - January 1, restated (Note 2.D.)**

**Net Assets - December 31**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Discretely Presented Component Unit</b>
\$ 785,487	\$ -	\$ (1,583,972)	
596,927	-	(6,260,334)	
2,010,131	3,916,752	1,107,705	
25,569	-	12,235	
5,702,201	-	(4,554,750)	
809,577	-	(606,315)	
53,492	-	(4,390,274)	
146,201	511,627	155,192	
-	-	(629,154)	
-	-	(1,148,606)	
<b>\$ 10,129,585</b>	<b>\$ 4,428,379</b>	<b>\$ (17,898,273)</b>	
<b>\$ 4,607,518</b>	<b>\$ -</b>		<b>\$ (239,146)</b>
		\$ 21,519,837	\$ 505,189
		112,973	-
		3,608,010	-
		228,574	-
		803,095	142,152
		16,083	-
		63,890	-
		<b>\$ 26,352,462</b>	<b>\$ 647,341</b>
		<b>\$ 8,454,189</b>	<b>\$ 408,195</b>
		<b>77,265,998</b>	<b>1,371,659</b>
		<b>\$ 85,720,187</b>	<b>\$ 1,779,854</b>

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**FUND FINANCIAL STATEMENTS**

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 6,957,467	\$ 6,866,501
Petty cash and change funds	1,300	-
Undistributed cash in agency funds	187,465	49,351
Departmental cash	109,220	-
Taxes receivable		
Prior	357,822	121,673
Special assessments receivable		
Prior	-	-
Noncurrent	-	-
Accounts receivable	129,164	3,387
Accrued interest receivable	212,845	-
Due from other funds	10,458	-
Due from component unit	-	-
Due from other governments	102,906	673,309
Inventories	-	436,703
Advances to other agencies	-	-
Prepaid items	49,510	-
	<b>\$ 8,118,157</b>	<b>\$ 8,150,924</b>
<b>Total Assets</b>	<b>\$ 8,118,157</b>	<b>\$ 8,150,924</b>

**EXHIBIT 3**

<b>Human Services</b>	<b>Capital Equipment</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,779,310	\$ 3,402,787	\$ 4,660,474	\$ 24,666,539
-	-	-	1,300
59,476	25,069	31,140	352,501
-	-	-	109,220
150,133	60,530	54,365	744,523
-	-	53,076	53,076
-	-	76,625	76,625
104,874	-	7,046	244,471
-	-	-	212,845
-	-	-	10,458
-	-	437,606	437,606
588,733	-	-	1,364,948
-	-	-	436,703
165,242	-	-	165,242
-	-	-	49,510
<b>\$ 3,847,768</b>	<b>\$ 3,488,386</b>	<b>\$ 5,320,332</b>	<b>\$ 28,925,567</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 468,856	\$ 179,916
Salaries payable	352,282	77,941
Contracts payable	-	837,067
Due to other funds	-	-
Due to other governments	85,833	24,434
Deferred revenue - unavailable	254,770	767,853
Deferred revenue - unearned	-	-
	<b>\$ 1,161,741</b>	<b>\$ 1,887,211</b>
<b>Fund Balances</b>		
Reserved for		
Encumbrances	\$ -	\$ 484,076
Inventories	-	436,703
Debt service	-	-
Advance to other agency	-	-
Driveway deposits	-	7,200
Unreserved, designated for		
Future expenditures	1,240,297	4,882,000
Cash flows	5,500,000	453,734
Medical insurance	23,500	-
Undesignated	192,619	-
Unreserved, reported in special revenue funds	-	-
	<b>\$ 6,956,416</b>	<b>\$ 6,263,713</b>
	<b>\$ 8,118,157</b>	<b>\$ 8,150,924</b>

**EXHIBIT 3**  
**(Continued)**

<u>Human Services</u>	<u>Capital Equipment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 532,650	\$ 22,559	\$ 49,011	\$ 1,252,992
230,819	-	3,241	664,283
-	-	409,622	1,246,689
10,458	-	-	10,458
342,232	168	437	453,104
117,438	46,749	94,784	1,281,594
-	-	76,625	76,625
<u>\$ 1,233,597</u>	<u>\$ 69,476</u>	<u>\$ 633,720</u>	<u>\$ 4,985,745</u>
\$ -	\$ -	\$ -	\$ 484,076
-	-	-	436,703
-	-	2,075,746	2,075,746
165,242	-	-	165,242
-	-	-	7,200
-	2,702,811	-	8,825,108
2,448,929	675,000	-	9,077,663
-	-	-	23,500
-	41,099	-	233,718
-	-	2,610,866	2,610,866
<u>\$ 2,614,171</u>	<u>\$ 3,418,910</u>	<u>\$ 4,686,612</u>	<u>\$ 23,939,822</u>
<u>\$ 3,847,768</u>	<u>\$ 3,488,386</u>	<u>\$ 5,320,332</u>	<u>\$ 28,925,567</u>

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

<b>Fund balances - total governmental funds</b>	<b>\$</b>	<b>23,939,822</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		92,855,852
Deferred revenue is earned and must be recorded as revenue when it is earned regardless of availability.		1,281,594
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds - net of premium and discount	\$ (18,630,045)	
Revenue bonds	(792,400)	
Notes payable - net of discount	(1,651,741)	
Capital leases	(8,395,877)	
Compensated absences	(2,682,852)	
Accrued interest payable	(344,305)	
Deferred debt issuance charges	140,139	
	(32,357,081)	
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>85,720,187</u></b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 10,567,729	\$ 3,455,657
Special assessments	-	-
Licenses and permits	809,293	-
Intergovernmental	3,057,830	6,851,517
Charges for services	2,716,807	151,226
Fines and forfeits	344,533	-
Gifts and contributions	27,727	-
Interest on investments	787,576	15,519
Miscellaneous	13,429	6,500
	<b>\$ 18,324,924</b>	<b>\$ 10,480,419</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 7,985,242	\$ 127,187
Public safety	7,247,191	-
Highways and streets	-	15,853,826
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	273,400	-
Conservation of natural resources	362,464	-
Economic development	541,475	-
<b>Intergovernmental</b>	445,141	-
<b>Capital outlay</b>	-	-
<b>Debt service</b>		
Principal	-	-
Interest and fiscal charges	-	46,158
	<b>\$ 16,854,913</b>	<b>\$ 16,027,171</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,470,011</b>	<b>\$ (5,546,752)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 23,000	\$ -
Transfers out	(90,000)	(1,105,436)
Bonds and notes issued	-	7,000,000
Premium (discount) on bonds and notes issued	-	64,304
	<b>\$ (67,000)</b>	<b>\$ 5,958,868</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,403,011</b>	<b>\$ 412,116</b>
<b>Fund Balances - January 1</b>	<b>5,553,405</b>	<b>5,880,678</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(29,081)</b>
<b>Fund Balances - December 31</b>	<b>\$ 6,956,416</b>	<b>\$ 6,263,713</b>

**EXHIBIT 5**

<b>Human Services</b>	<b>Capital Equipment</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,118,946	\$ 1,751,085	\$ 1,618,260	\$ 21,511,677
-	-	489,640	489,640
-	-	-	809,293
7,284,500	466,465	299,221	17,959,533
1,236,201	-	409,450	4,513,684
-	-	-	344,533
-	-	75,351	103,078
-	-	-	803,095
285,102	95,094	4,548,191	4,948,316
<b>\$ 12,924,749</b>	<b>\$ 2,312,644</b>	<b>\$ 7,440,113</b>	<b>\$ 51,482,849</b>
\$ -	\$ 1,137,459	\$ 106,121	\$ 9,356,009
-	253,129	62,027	7,562,347
-	524,516	21,454	16,399,796
-	-	483,479	483,479
11,047,989	-	-	11,047,989
2,140,418	-	-	2,140,418
-	16,893	385,459	675,752
-	-	147,225	509,689
-	54,976	-	596,451
-	-	-	445,141
-	-	4,526,337	4,526,337
-	-	1,550,000	1,550,000
-	28,331	946,917	1,021,406
<b>\$ 13,188,407</b>	<b>\$ 2,015,304</b>	<b>\$ 8,229,019</b>	<b>\$ 56,314,814</b>
<b>\$ (263,658)</b>	<b>\$ 297,340</b>	<b>\$ (788,906)</b>	<b>\$ (4,831,965)</b>
\$ -	\$ -	\$ 1,380,025	\$ 1,403,025
-	(96,663)	(110,926)	(1,403,025)
-	1,500,000	-	8,500,000
-	(13,500)	-	50,804
<b>\$ -</b>	<b>\$ 1,389,837</b>	<b>\$ 1,269,099</b>	<b>\$ 8,550,804</b>
<b>\$ (263,658)</b>	<b>\$ 1,687,177</b>	<b>\$ 480,193</b>	<b>\$ 3,718,839</b>
<b>2,877,829</b>	<b>1,731,733</b>	<b>4,206,419</b>	<b>20,250,064</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>(29,081)</b>
<b>\$ 2,614,171</b>	<b>\$ 3,418,910</b>	<b>\$ 4,686,612</b>	<b>\$ 23,939,822</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Net change in fund balances - total governmental funds** **\$ 3,718,839**

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

In the funds, under the modified accrual basis, receivables not available for 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	\$ 1,281,594	
Deferred revenue - January 1	(1,318,164)	(36,570)

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. Also, in the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for capital assets	\$ 18,551,621	
Net book value of assets disposed of	(11,871)	
Current year depreciation	(2,886,813)	15,652,937

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

New debt issued (bonds, capital notes, and capital leases)	\$ (12,812,194)	
Less: discounts and issuance costs	6,556	(12,805,638)

Principal repayments		
Reported as debt service expenditures (bonds and notes)	\$ 1,550,000	
Reported as sanitation expenditures (revenue bonds)	422,800	
Reported as highways and streets expenditures (notes)	55,831	
Reported as general government expenditures (capital lease)	114,614	2,143,245

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

Change in accrued interest payable	\$ (159,260)	
Change in compensated absences	(4,983)	
Amortization of discounts and deferred issuance charges	(25,300)	
Change in inventories	(29,081)	(218,624)

**Change in net assets of governmental activities** **\$ 8,454,189**

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 11,360,430	\$ 11,360,430	\$ 10,567,729	\$ (792,701)
Licenses and permits	710,150	710,150	809,293	99,143
Intergovernmental	1,856,703	1,856,703	3,057,830	1,201,127
Charges for services	2,165,363	2,169,563	2,716,807	547,244
Fines and forfeits	353,000	353,000	344,533	(8,467)
Gifts and contributions	-	-	27,727	27,727
Investment earnings	450,000	450,000	787,576	337,576
Miscellaneous	193,500	193,500	13,429	(180,071)
<b>Total Revenues</b>	<b>\$ 17,089,146</b>	<b>\$ 17,093,346</b>	<b>\$ 18,324,924</b>	<b>\$ 1,231,578</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 260,047	\$ 260,047	\$ 225,183	\$ 34,864
Courts	665,250	665,250	518,954	146,296
Court services	-	-	2,348	(2,348)
Law library	33,000	85,489	54,430	31,059
County administration	375,000	375,000	385,921	(10,921)
County auditor	277,500	277,500	279,956	(2,456)
County treasurer	203,000	207,200	192,721	14,479
County assessor	638,000	638,000	638,197	(197)
Elections	25,000	25,000	11,679	13,321
Data processing	1,750,000	1,750,000	1,789,335	(39,335)
Central services	202,000	202,000	200,386	1,614
Attorney	1,056,280	1,056,280	854,680	201,600
Recorder	314,800	368,493	338,877	29,616
Planning and zoning	730,631	730,631	639,683	90,948
Maintenance	332,000	332,000	294,514	37,486
Switchboard	39,000	39,000	38,533	467
Veterans service officer	51,878	63,100	57,027	6,073
Cost allocation	8,000	8,000	7,600	400
Other general government	1,356,775	1,610,144	1,455,218	154,926
<b>Total general government</b>	<b>\$ 8,318,161</b>	<b>\$ 8,693,134</b>	<b>\$ 7,985,242</b>	<b>\$ 707,892</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 2,877,200	\$ 2,877,200	\$ 3,178,212	\$ (301,012)
Boat and water safety	31,949	31,949	9,613	22,336
Coroner	79,801	79,801	79,801	-
E-911 system	60,000	60,000	-	60,000
Law enforcement center	3,499,000	3,499,000	2,667,451	831,549
Caseload reduction	62,754	77,083	61,508	15,575
Sentence to serve	50,000	50,000	75,217	(25,217)
Jail canteen fund	-	2,625	30,329	(27,704)
Victim assistance	-	-	82,027	(82,027)
Probation and parole	548,150	554,150	546,865	7,285
Electronic monitoring	19,184	19,184	12,585	6,599
DARE program	-	9,676	763	8,913
Explorer fund	-	4,724	-	4,724
Juvenile substance abuse court	-	-	91,490	(91,490)
Civil defense	46,922	46,922	51,812	(4,890)
Other public safety	-	64,886	359,518	(294,632)
<b>Total public safety</b>	<b>\$ 7,274,960</b>	<b>\$ 7,377,200</b>	<b>\$ 7,247,191</b>	<b>\$ 130,009</b>
<b>Culture and recreation</b>				
Historical society	\$ 27,762	\$ 27,762	\$ 27,762	\$ -
Parks	222,000	222,000	203,191	18,809
Senior citizens	30,000	30,000	30,000	-
Regional library	-	-	499	(499)
Other	-	-	11,948	(11,948)
<b>Total culture and recreation</b>	<b>\$ 279,762</b>	<b>\$ 279,762</b>	<b>\$ 273,400</b>	<b>\$ 6,362</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 165,959	\$ 165,959	\$ 135,022	\$ 30,937
Soil and water conservation	47,500	47,500	47,500	-
Agricultural inspections	9,812	9,812	8,401	1,411
Agricultural society/County fair	12,000	12,000	12,000	-
Oak wilt program	3,500	3,500	6,332	(2,832)
Water planning	64,803	87,914	59,669	28,245
Wetland challenge	69,558	69,558	71,430	(1,872)
Other	-	615	22,110	(21,495)
<b>Total conservation of natural resources</b>	<b>\$ 373,132</b>	<b>\$ 396,858</b>	<b>\$ 362,464</b>	<b>\$ 34,394</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Community development	\$ 65,000	\$ 65,000	\$ 65,776	\$ (776)
Other	350,240	350,240	475,699	(125,459)
<b>Total economic development</b>	<b>\$ 415,240</b>	<b>\$ 415,240</b>	<b>\$ 541,475</b>	<b>\$ (126,235)</b>
<b>Intergovernmental</b>				
Library	\$ 450,891	\$ 450,891	\$ 445,141	\$ 5,750
<b>Total Expenditures</b>	<b>\$ 17,112,146</b>	<b>\$ 17,613,085</b>	<b>\$ 16,854,913</b>	<b>\$ 758,172</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (23,000)	\$ (519,739)	\$ 1,470,011	\$ 1,989,750
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 23,000	\$ 23,000
Transfers out	-	-	(90,000)	(90,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (67,000)</b>	<b>\$ (67,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (23,000)</b>	<b>\$ (519,739)</b>	<b>\$ 1,403,011</b>	<b>\$ 1,922,750</b>
<b>Fund Balance - January 1</b>	<b>5,553,405</b>	<b>5,553,405</b>	<b>5,553,405</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,530,405</b>	<b>\$ 5,033,666</b>	<b>\$ 6,956,416</b>	<b>\$ 1,922,750</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 3,742,523	\$ 3,742,523	\$ 3,455,657	\$ (286,866)
Intergovernmental	6,630,674	6,630,674	6,851,517	220,843
Charges for services	120,000	120,000	151,226	31,226
Investment earnings	-	-	15,519	15,519
Miscellaneous	-	-	6,500	6,500
<b>Total Revenues</b>	<b>\$ 10,493,197</b>	<b>\$ 10,493,197</b>	<b>\$ 10,480,419</b>	<b>\$ (12,778)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Surveyor	\$ 150,503	\$ 150,503	\$ 127,187	\$ 23,316
<b>Highways and streets</b>				
Administration	\$ 830,800	\$ 830,800	\$ 991,186	\$ (160,386)
Engineering	840,074	840,074	1,344,845	(504,771)
Maintenance	2,250,945	2,250,945	2,178,716	72,229
Construction	4,645,000	4,645,000	10,553,278	(5,908,278)
Equipment maintenance and shop	670,438	670,438	785,801	(115,363)
<b>Total highways and streets</b>	<b>\$ 9,237,257</b>	<b>\$ 9,237,257</b>	<b>\$ 15,853,826</b>	<b>\$ (6,616,569)</b>
<b>Debt service</b>				
Interest and fiscal charges	\$ -	\$ -	\$ 46,158	\$ (46,158)
<b>Total Expenditures</b>	<b>\$ 9,387,760</b>	<b>\$ 9,387,760</b>	<b>\$ 16,027,171</b>	<b>\$ (6,639,411)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,105,437</b>	<b>\$ 1,105,437</b>	<b>\$ (5,546,752)</b>	<b>\$ (6,652,189)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ (1,105,437)	\$ (1,105,437)	\$ (1,105,436)	\$ 1
Bonds issued	-	-	7,000,000	7,000,000
Premium on bonds/notes issued	-	-	64,304	64,304
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,105,437)</b>	<b>\$ (1,105,437)</b>	<b>\$ 5,958,868</b>	<b>\$ 7,064,305</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 412,116</b>	<b>\$ 412,116</b>
<b>Fund Balance - January 1</b>	<b>5,880,678</b>	<b>5,880,678</b>	<b>5,880,678</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(29,081)</b>	<b>(29,081)</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,880,678</b>	<b>\$ 5,880,678</b>	<b>\$ 6,263,713</b>	<b>\$ 383,035</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 4,454,669	\$ 4,454,669	\$ 4,118,946	\$ (335,723)
Intergovernmental	7,661,324	7,661,324	7,284,500	(376,824)
Charges for services	701,237	701,237	1,236,201	534,964
Miscellaneous	155,700	155,700	285,102	129,402
<b>Total Revenues</b>	<b>\$ 12,972,930</b>	<b>\$ 12,972,930</b>	<b>\$ 12,924,749</b>	<b>\$ (48,181)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 2,373,143	\$ 2,373,143	\$ 2,464,242	\$ (91,099)
Social services	8,359,089	8,359,089	8,583,747	(224,658)
<b>Total human services</b>	<b>\$ 10,732,232</b>	<b>\$ 10,732,232</b>	<b>\$ 11,047,989</b>	<b>\$ (315,757)</b>
<b>Health</b>				
Nursing service	\$ 2,032,313	\$ 2,032,313	\$ 1,900,621	\$ 131,692
Maternal and child health	208,385	208,385	239,797	(31,412)
<b>Total health</b>	<b>\$ 2,240,698</b>	<b>\$ 2,240,698</b>	<b>\$ 2,140,418</b>	<b>\$ 100,280</b>
<b>Total Expenditures</b>	<b>\$ 12,972,930</b>	<b>\$ 12,972,930</b>	<b>\$ 13,188,407</b>	<b>\$ (215,477)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (263,658)</b>	<b>\$ (263,658)</b>
<b>Fund Balance - January 1</b>	<b>2,877,829</b>	<b>2,877,829</b>	<b>2,877,829</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,877,829</b>	<b>\$ 2,877,829</b>	<b>\$ 2,614,171</b>	<b>\$ (263,658)</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL EQUIPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,751,968	\$ 1,751,968	\$ 1,751,085	\$ (883)
Intergovernmental	144,695	144,695	466,465	321,770
Miscellaneous	-	-	95,094	95,094
<b>Total Revenues</b>	<b>\$ 1,896,663</b>	<b>\$ 1,896,663</b>	<b>\$ 2,312,644</b>	<b>\$ 415,981</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Elections	\$ -	\$ 5,775	\$ -	\$ 5,775
Data processing	1,214,000	2,059,000	1,137,459	921,541
<b>Total general government</b>	<b>\$ 1,214,000</b>	<b>\$ 2,064,775</b>	<b>\$ 1,137,459</b>	<b>\$ 927,316</b>
<b>Public safety</b>				
Sheriff	\$ 200,000	\$ 218,559	\$ 231,734	\$ (13,175)
County jail	-	-	21,395	(21,395)
<b>Total public safety</b>	<b>\$ 200,000</b>	<b>\$ 218,559</b>	<b>\$ 253,129</b>	<b>\$ (34,570)</b>
<b>Highways and streets</b>				
Administration	\$ 350,000	\$ 538,760	\$ 524,516	\$ 14,244
<b>Culture and recreation</b>				
Parks	\$ 25,000	\$ 25,000	\$ 16,893	\$ 8,107
<b>Economic development</b>				
Other	\$ 11,000	\$ 15,600	\$ 54,976	\$ (39,376)
<b>Debt service</b>				
Principal	\$ 80,000	\$ 1,595,000	\$ -	\$ 1,595,000
Interest and fiscal charges	16,663	16,663	28,331	(11,668)
<b>Total debt service</b>	<b>\$ 96,663</b>	<b>\$ 1,611,663</b>	<b>\$ 28,331</b>	<b>\$ 1,583,332</b>
<b>Total Expenditures</b>	<b>\$ 1,896,663</b>	<b>\$ 4,474,357</b>	<b>\$ 2,015,304</b>	<b>\$ 2,459,053</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ (2,577,694)</b>	<b>\$ 297,340</b>	<b>\$ 2,875,034</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**Schedule 4**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL EQUIPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ (194,833)	\$ (194,833)	\$ (96,663)	\$ 98,170
Bonds and notes issued	-	-	1,500,000	1,500,000
Discount on bonds and notes issued	-	-	(13,500)	(13,500)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (194,833)</b>	<b>\$ (194,833)</b>	<b>\$ 1,389,837</b>	<b>\$ 1,584,670</b>
<b>Net Change in Fund Balance</b>	<b>\$ (194,833)</b>	<b>\$ (2,772,527)</b>	<b>\$ 1,687,177</b>	<b>\$ 4,459,704</b>
<b>Fund Balance - January 1</b>	<b>1,731,733</b>	<b>1,731,733</b>	<b>1,731,733</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,536,900</b>	<b>\$ (1,040,794)</b>	<b>\$ 3,418,910</b>	<b>\$ 4,459,704</b>

CHISAGO COUNTY  
CENTER CITY, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ <u>1,419,879</u>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 5,732
Deferred benefits	41,095
Due to other governments	<u>1,373,052</u>
<b>Total Liabilities</b>	<b>\$ <u>1,419,879</u></b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

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1. Summary of Significant Accounting Policies

Chisago County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2005. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Chisago County was established September 1, 1851, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the Board for an indefinite term, serves as the clerk of the Board of Commissioners but has no vote.

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

A five-member Board appointed by the County Board governs the HRA-EDA. The HRA-EDA is reported in a separate column to emphasize that the HRA-EDA is legally separate from the County. The HRA-EDA is included because the County is financially accountable and is able to impose its will on the HRA-EDA. Separate financial statements for the HRA-EDA may be obtained at its office at 38883 - 7th Avenue, North Branch, Minnesota 55056.

Joint Ventures

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

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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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 Chisago County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

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

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds. Separate statements for each fund category--governmental and fiduciary (agency)--are presented. The emphasis of the governmental fund financial statements is on major individual funds, with each displayed as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.
- The Capital Equipment Special Revenue Fund is used to account for the acquisition of certain equipment which is financed through the tax levy.

Additionally, the County reports the following fund type:

- Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, and other governments. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

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.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Chisago County considers all revenues as available if collected within 30 days after the end of the current period and 60 days for taxes.

Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2005, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2005 were \$787,576.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

Chisago County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, 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 representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans).

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

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

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

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

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses 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 (for example, roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

8. Fund Equity

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

9. Use of Estimates

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

E. Revenues

For the fund financial statements, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used for all governmental fund types. Under this basis, revenue is not recognized in the financial statements unless it is available to finance current expenditures.

1. Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on nongovernmental entities and individuals. Property taxes, fines and penalties, and property forfeitures are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable but not available are reported as deferred revenue and will be recognized as revenue in the fiscal year that they become available. Fines and penalties and property forfeitures are recognized in the period received.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Revenues (Continued)

2. Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the County perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditure is incurred.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

Tax credits paid by the state are included in intergovernmental revenues and are recognized as revenue in the fiscal year that they become available. Subject to the availability criterion, state-aid highway allotments for highway maintenance and construction are recognized as revenue in the year of allotment.

3. Exchange Transactions

Exchange transactions are those in which each party receives and gives up essentially equal values. Special assessments levied against benefiting properties are recognized under the modified accrual basis when available to finance current expenditures. Other revenues, such as licenses and permits, charges for services, and investment income are recognized as revenue when earned.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

On or before mid-August of each year, all departments submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

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

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of \$114,321 as of December 31, 2005, although three ditches had deficit balances. The deficits will be eliminated with future special assessment levies against benefited properties. Following is a summary of the individual ditch systems:

10 ditches with positive balances	\$ 114,808
3 ditches with deficit balances	<u>(487)</u>
Net Fund Balance	<u>\$ 114,321</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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2. Stewardship, Compliance, and Accountability (Continued)

C. Excess of Expenditures Over Budget

The funds shown below had expenditures in excess of budget for the year ended December 31, 2005.

	Expenditures	Budget	Excess
Road and Bridge	\$ 16,027,171	\$ 9,387,760	\$ 6,639,411
Human Services	13,188,407	12,972,930	215,477
County Building	181,179	80,000	101,179
Parks	385,459	150,000	235,459

D. Prior Period Adjustment

Net assets at January 1, 2005, have been restated to reflect an error in the calculation of depreciation. As a result of this error, the accumulated depreciation related to infrastructure capital assets was decreased by \$1,554,156. The net effect of this change increased net assets at January 1, 2005, by \$1,554,156.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 25,129,560
Statement of fiduciary net assets	
Cash and pooled investments	1,419,879
Total Cash and Investments	\$ 26,549,439
Deposits	\$ 2,694,323
Petty cash and change funds	1,300
Investments	23,853,816
Total Deposits, Cash on Hand, and Investments	\$ 26,549,439

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Board. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit 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

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, the County complies with Minnesota statutes in establishing collateral for its deposits. At December 31, 2005, the County was not exposed to custodial credit risk.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

At December 31, 2005, the County had the following investments:

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>5+ Years</u>
U.S. agency securities	\$ 14,646,002	\$ 6,017,696	\$ 7,328,246	\$ 1,300,060
MAGIC Fund	7,438,264	7,438,264	-	-
Negotiable certificates of deposit	774,050	196,335	198,709	379,006
Commercial paper	995,500	995,500	-	-
Total Investments	<u>\$ 23,853,816</u>	<u>\$ 14,647,795</u>	<u>\$ 7,526,955</u>	<u>\$ 1,679,066</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's exposure to credit risk at December 31, 2005, is as follows:

	<u>S &amp; P Rating</u>	<u>Fair Value</u>
U.S. government agency securities	AAA	\$ 14,646,002
MAGIC Fund	N/R	7,438,264
Negotiable certificates of deposit	N/A	774,050
Commercial paper	A-1+	995,500
Total		<u>\$ 23,853,816</u>

N/R - Not rated  
N/A - Not applicable

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

Issuer	Reported Amount
Federal Home Loan Bank	\$ 11,671,372
Federal National Mortgage Association	2,974,630

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At December 31, 2005, none of the County's investments were subject to custodial credit risk.

2. Receivables

Receivables as of December 31, 2005, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 744,523	\$ -
Special assessments	129,701	76,625
Due from other governments	1,364,948	-
Accounts	244,471	-
Interest	212,845	-
	\$ 2,696,488	\$ 76,625

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,324,672	\$ -	\$ -	\$ 1,324,672
Construction in progress	7,645,438	8,500,102	7,565,604	8,579,936
Total capital assets not depreciated	<u>\$ 8,970,110</u>	<u>\$ 8,500,102</u>	<u>\$ 7,565,604</u>	<u>\$ 9,904,608</u>
Capital assets depreciated				
Buildings	\$ 16,205,887	\$ -	\$ -	\$ 16,205,887
Machinery, furniture, and equipment	9,207,831	1,383,034	492,290	10,098,575
Infrastructure	63,489,428	16,234,089	-	79,723,517
Total capital assets depreciated	<u>\$ 88,903,146</u>	<u>\$ 17,617,123</u>	<u>\$ 492,290</u>	<u>\$ 106,027,979</u>
Less: accumulated depreciation for				
Buildings	\$ 6,192,494	\$ 373,100	\$ -	\$ 6,565,594
Machinery, furniture, and equipment	5,908,170	1,062,160	480,419	6,489,911
Infrastructure	8,569,677	1,451,553	-	10,021,230
Total accumulated depreciation	<u>\$ 20,670,341</u>	<u>\$ 2,886,813</u>	<u>\$ 480,419</u>	<u>\$ 23,076,735</u>
Total capital assets depreciated, net	<u>\$ 68,232,805</u>	<u>\$ 14,730,310</u>	<u>\$ 11,871</u>	<u>\$ 82,951,244</u>
Capital Assets, Net	<u><u>\$ 77,202,915</u></u>	<u><u>\$ 23,230,412</u></u>	<u><u>\$ 7,577,475</u></u>	<u><u>\$ 92,855,852</u></u>

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

Governmental Activities	
General government	\$ 609,710
Public safety	376,749
Highways and streets, including depreciation of infrastructure assets	1,842,082
Health	4,183
Sanitation	9,376
Culture and recreation	44,713
	<u>2,886,813</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,886,813</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 10,458

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfers to General Fund from other governmental funds	\$ 23,000	Solid waste fees
Transfers to other governmental funds from General Fund	90,000	Transfer activities to designated fund
Transfer to other governmental funds from Road and Bridge Fund	1,105,436	Provide funds for repayment of debt
Transfers to other governmental funds from Capital Equipment Fund	96,663	Provide funds for repayment of debt
Transfers to nonmajor governmental funds from other nonmajor governmental funds	87,926	Provide funds for repayment of debt
Total Interfund Transfers	\$ 1,403,025	

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2005, were as follows:

	Governmental Activities
Accounts	\$ 1,252,992
Salaries	664,283
Contracts	1,246,689
Due to other governments	453,104
Total Payables	\$ 3,617,068

2. Construction Commitments

Chisago County had the following active construction projects at December 31, 2005:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Community libraries	\$ 4,569,278	\$ 422,115
Roads and bridges	3,733,725	457,683

3. Capital Leases

The County has entered into capital lease agreements for: (1) AS/400 computer systems, and (2) financing the construction of various County buildings by the Chisago County HRA-EDA. These agreements qualify as capital leases for accounting purposes.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Capital Leases (Continued)

The building improvements and computer systems are recorded by the County as capital assets at the present value of the future minimum lease payments as of the inception of the leases.

Lease	Maturity	Installment	Payment Amount	Original	Balance
2004 IBM AS/400 computer #1	2007	Monthly	\$ 3,786	\$ 136,292	\$ 49,216
2004 IBM AS/400 computer #2	2007	Monthly	2,194	78,984	32,227
2005 IBM AS/400 computer	2007	Monthly	3,497	125,896	76,350
Buildings and libraries	2026	Annually	Various	10,720,000	8,238,084
Total Capital Leases					<u>\$ 8,395,877</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005, were as follows:

Year Ending December 31	Governmental Activities
2006	\$ 968,716
2007	1,114,077
2008	1,120,000
2009	1,100,000
2010	245,000
2011 and beyond	<u>5,745,000</u>
Total minimum lease payments	\$ 10,292,793
Less: amount representing cash with escrow	<u>(1,896,916)</u>
Present Value of Minimum Lease Payments	<u>\$ 8,395,877</u>

4. Long-Term Debt

The County issues general obligation bonds and capital notes to provide funds for the acquisition and construction of major capital facilities. During the year, general obligation bonds were issued to finance improvements to state-aid roads, and general obligation capital notes were issued to purchase equipment.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the County. General obligation bonds and notes outstanding at December 31, 2005, are as follows:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Balance December 31, 2005
General Obligation Bonds and Notes					
1994 Nursing Home Revenue Bonds	2010	\$20,000 - \$45,000	4.25 - 6.40	\$ 490,000	\$ 210,000
2001 Capital Improvement Bonds	2016	\$240,000 - \$455,000	3.50 - 4.75	5,000,000	3,975,000
2002A Capital Improvement Bonds	2018	\$50,000 - \$90,000	4.40 - 4.90	1,000,000	900,000
2002C Refunding Bonds	2008	\$85,000 - \$160,000	2.10 - 4.20	560,000	250,000
2003A Capital Improvement Bonds	2013	\$400,000 - \$550,000	3.00 - 3.40	2,000,000	2,000,000
2003B Jail and Courthouse Bonds	2014	\$65,000 - \$85,000	2.05 - 4.10	720,000	655,000
2003 Capital Note	2008	\$55,831	3.60	279,153	167,491
2004A State-Aid Road Bonds	2014	\$365,000 - \$450,000	1.50 - 3.30	4,000,000	3,630,000
2005A Road Reconstruction Bonds	2017	\$590,000 - \$835,000	3.50 - 4.00	7,000,000	7,000,000
2005B Capital Notes	2015	\$125,000 - \$195,000	3.60 - 4.00	<u>1,500,000</u>	<u>1,500,000</u>
Total General Obligation Bonds and Notes				<u>\$ 22,549,153</u>	\$ 20,287,491
Add: unamortized premium					64,304
Less: unamortized discount					<u>(70,009)</u>
Total Bonds and Notes, Net					<u>\$ 20,281,786</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2005, were as follows:

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2006	\$ 890,000	\$ 697,457	\$ 55,831	\$ 56,189
2007	920,000	628,474	180,831	58,694
2008	1,525,000	589,394	205,829	51,711
2009	1,500,000	538,400	155,000	44,178
2010	2,095,000	477,226	160,000	38,508
2011 - 2015	9,345,000	1,299,792	910,000	92,952
2016 - 2020	2,345,000	96,139	-	-
Total	\$ 18,620,000	\$ 4,326,882	\$ 1,667,491	\$ 342,232

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 12,490,000	\$ 7,000,000	\$ 870,000	\$ 18,620,000	\$ 890,000
Capital notes	318,322	1,500,000	150,831	1,667,491	55,831
East Central Solid Waste Commission (Note 5.C.)	1,215,200	-	422,800	792,400	439,600
Add: unamortized premium	-	64,304	-	64,304	-
Less: deferred amounts for issuance discounts	(60,215)	(15,748)	(5,954)	(70,009)	-
Total bonds and notes payable	\$ 13,963,307	\$ 8,548,556	\$ 1,437,677	\$ 21,074,186	\$ 1,385,431
Capital leases	4,783,297	4,312,194	699,614	8,395,877	968,716
Compensated absences	2,677,869	4,983	-	2,682,852	947,145
Long-Term Liabilities	\$ 21,424,473	\$ 12,865,733	\$ 2,137,291	\$ 32,152,915	\$ 3,301,292

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a County correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

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

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

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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4. Employees Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.50 percent. Public Employees Police and Fire Fund members were required to contribute 6.20 percent of their annual covered salary in 2005. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

	2005	2006
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	5.53	6.00
Public Employees Police and Fire Fund	9.30	10.50
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2005	\$ 654,625	\$ 194,836	\$ 73,222
2004	621,347	190,596	56,383
2003	553,072	167,410	51,759

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

B. Defined Contribution Plan

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

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate.

An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer.

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

The County's contributions for the years ending December 31, 2005, 2004, and 2003, were \$8,775, \$8,637, and \$8,347, respectively, equal to the contractually required contributions for each year as set by state statute.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

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 \$720,000 and \$760,000 per claim in 2004 and 2005, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

In 2001, Chisago County began to self-insure for employee dental coverage. The County contracts with Delta Dental to administer the County's self-insured dental benefit claims. Delta Dental processes all benefit claims and charges the County an administrative fee. The County maintains a self-insurance account within the General Fund and pays all claims as incurred. For 2005, the County collected premiums of \$197,641 from County departments. For 2004, claims and administrative costs paid were \$192,511.

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

	Year Ended December 31	
	2005	2004
Asset (liability) at January 1	\$ 18,561	\$ 22,971
Current year premiums	197,641	174,791
Claims payments	(192,511)	(179,201)
Asset (Liability) at December 31	\$ 23,691	\$ 18,561

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, 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.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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

C. Joint Ventures

Chisago Lakes Joint Sewage Treatment Commission

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

The Commission's annual financial report shows total net assets of \$4,579,094, as of December 31, 2005.

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

East Central Solid Waste Commission

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

Each county's proportionate share of the total operating costs is based on the most recent census data available and is to be adjusted upon the admission of additional counties or the withdrawal of present counties. The Commission will remain in existence so long as two or more of the counties remain as parties to the agreement, or until January 1, 2008. 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.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

East Central Solid Waste Commission (Continued)

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.

The Commission's annual financial report had \$2,830,000 in long-term bonds outstanding as of December 31, 2004 (the latest information available).

The bonds will be retired from solid waste fee revenues. Should these revenues be insufficient to retire the debt, the participating counties are currently responsible in the following proportion:

Chisago County	28.0%
Isanti County	23.7
Kanabec County	11.7
Mille Lacs County	17.1
Pine County	19.5

Chisago County's proportionate share of the bonds payable is \$792,400.

During 1993, the participating counties were notified that the Commission was unable to meet its cash needs for debt service. The counties were assessed for their proportionate share for 1993 and the following years. Chisago County's contribution was \$422,800 for 2005.

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

East Central Regional Library

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

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

East Central Regional Library (Continued)

The Library's financial statements for the year ended December 31, 2005, show total assets of \$722,925, total liabilities of \$233,210, and total net assets of \$489,715.

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

D. Nursing Home Lease Agreement

On December 31, 1996, the County leased its Nursing Home to Ebenezer Social Ministry. The lease agreement contained the following provisions:

- (a) The County will retain ownership of the land and building.
- (b) The lessee is responsible for maintenance of the facilities and will fund a capital reserve account through its property reimbursement.
- (c) The County will be responsible for the remaining amount due on the Nursing Home Revenue Bonds.
- (d) The lessee has a right of first refusal to purchase the premises.

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

1. Financial Reporting Entity

The Chisago County Housing and Redevelopment Authority was established in 1988, with the powers, duties, and privileges granted by Minn. Stat. ch. 469. In 2000, the Authority adopted economic development powers, as granted by Minn. Stat. ch. 469, and changed its name to the Chisago County Housing and Redevelopment Authority Economic Development Authority.

The HRA-EDA is governed by a five-member Board appointed by the Chisago County Board of Commissioners. A Commissioner of the County Board acts in an advisory capacity to the HRA-EDA Board. The HRA-EDA Board is organized with a chair and vice chair. The Treasurer of the HRA-EDA Board is appointed by the Chisago County Board of Commissioners for an indefinite term. The Executive Director of the HRA-EDA is appointed by the HRA-EDA Board for an indefinite term.

The HRA-EDA is considered to be a component unit of Chisago County according to the criteria for defining the reporting entity, as established by GASB Statement No. 14, *The Financial Reporting Entity*. The HRA-EDA's activities, in relation to the activities of the County, are such that exclusion from the County's financial statements would cause such statements to be incomplete.

2. Basic Financial Statements

The financial statements of the Chisago County HRA-EDA are combined into a single enterprise fund.

3. Measurement Focus and Basis of Accounting

The 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.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Measurement Focus and Basis of Accounting (Continued)

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the HRA-EDA.

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

4. Assets, Liabilities, and Net Assets

Deposits and Investments

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

The HRA-EDA 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.

Capital Assets

Capital assets, which include land and land improvements, buildings and structures, and furniture and equipment, are reported in the basic financial statements. Capital assets are defined by the HRA-EDA as assets with an initial individual cost of more than \$500 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Assets

Capital Assets (Continued)

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

Capital assets of the HRA-EDA are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 - 50
Furniture and equipment	3 - 5

Compensated Absences

It is the HRA-EDA's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Unused vacation, compensatory time, and vested sick leave are paid to employees upon termination. Unvested sick leave is available to employees in the event of illness-related absences and is not paid to employees upon termination. The statement of net assets reports both current and noncurrent portions of compensated absences using full accrual accounting. The amounts are split equally between current and noncurrent.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures (Continued)

B. Detailed Notes on All Funds

1. Deposits and Investments

Minn. Stat. §§ 118A.02 and 118A.04 authorize the HRA-EDA to deposit its cash and to invest in certificates of deposit in financial institutions designated by the HRA-EDA Treasurer. Minn. Stat. § 118A.03 requires that all HRA-EDA deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit 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 standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the HRA-EDA's deposits may not be returned to it. The HRA-EDA does not have a policy for custodial credit risk. As of December 31, 2005, the HRA-EDA's deposits were not exposed to custodial credit risk.

Investments

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

- (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;

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments

Investments (Continued)

- (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.

The HRA-EDA does not have additional policies for the investment risks described below beyond complying with the requirements of Minnesota statutes.

Custodial Credit Risk

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

At December 31, 2005, none of the HRA-EDA's investments were subject to custodial credit risk.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the HRA-EDA's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At December 31, 2005, the HRA-EDA's investments were not subject to concentration of credit risk.

Interest Rate Risk

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

Credit Risk

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

The following table presents the HRA-EDA's investment balances at December 31, 2005, and information related to credit quality investment risks:

Investment Type	Credit Risk		Carrying (Fair) Value
	Credit Rating	Rating Agency	
Investment pools/mutual funds			
First American Treasury Obligations Fund	AAAm	S&P	\$ 1,896,915
MAGIC Fund	N/R	N/A	775,192
Total investment pools/mutual funds			\$ 2,672,107
Certificates of deposit	N/A	N/A	531,844

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments

Credit Risk (Continued)

Investment Type	Credit Risk		Carrying (Fair) Value
	Credit Rating	Rating Agency	
Total investments			\$ 3,203,951
Deposits			67,098
Petty cash			60
Total Cash and Investments			<u>\$ 3,271,109</u>

N/A – Not Applicable  
N/R – Not Rated  
S&P – Standard & Poors

2. Receivables

Other than a long-term lease receivable, the HRA-EDA did not have any receivables scheduled to be collected beyond one year. The lease receivable is based on certain bonds payable. The receivable is reduced by the amount of cash with the escrow agent. The following is a schedule of bond payments upon which the lease receivable is based:

Year Ending December 31	Principal	Interest
2006	\$ 855,000	\$ 458,596
2007	1,070,000	414,641
2008	1,120,000	364,511
2009	1,100,000	312,833
2010	245,000	281,759
2011 and beyond	<u>5,745,000</u>	<u>2,499,579</u>
Total payments	\$ 10,135,000	\$ <u>4,331,919</u>
Less: cash with escrow agent	<u>(1,896,916)</u>	
Lease Receivable at December 31, 2005	<u>\$ 8,238,084</u>	

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and land improvements	\$ 243,180	\$ -	\$ -	\$ 243,180
Construction in progress	-	1,235,931	-	1,235,931
<b>Total capital assets not depreciated</b>	<b>\$ 243,180</b>	<b>\$ 1,235,931</b>	<b>\$ -</b>	<b>\$ 1,479,111</b>
Capital assets depreciated				
Buildings and structures	\$ 3,660,249	\$ -	\$ -	\$ 3,660,249
Furniture and equipment	12,124	5,483	-	17,607
<b>Total capital assets depreciated</b>	<b>\$ 3,672,373</b>	<b>\$ 5,483</b>	<b>\$ -</b>	<b>\$ 3,677,856</b>
Less: accumulated depreciation for				
Buildings and structures	\$ 222,470	\$ 78,966	\$ -	\$ 301,436
Furniture and equipment	4,959	3,285	-	8,244
<b>Total accumulated depreciation</b>	<b>\$ 227,429</b>	<b>\$ 82,251</b>	<b>\$ -</b>	<b>\$ 309,680</b>
<b>Total capital assets depreciated, net</b>	<b>\$ 3,444,944</b>	<b>\$ (76,768)</b>	<b>\$ -</b>	<b>\$ 3,368,176</b>
<b>Total Capital Assets, Net</b>	<b>\$ 3,688,124</b>	<b>\$ 1,159,163</b>	<b>\$ -</b>	<b>\$ 4,847,287</b>

Depreciation expense was charged as follows:

Housing and Economic Development	<u>\$ 82,251</u>
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4. Long-Term Debt

General Obligation Bonds

The HRA-EDA issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of bonds issued in prior years was \$15,230,000.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures

B. Detailed Notes on All Funds

4. Long-Term Debt

General Obligation Bonds (Continued)

During the year, the HRA-EDA issued General Obligation Housing Development Bonds, Series 2005A. The \$2,445,000 issuance proceeds are being used to construct a senior housing center in Rush City and to advance refund the remaining balance of the Gross Revenue Bonds, Series 1997. The amount used for the senior housing project was \$1,095,000, and the amount used for refunding the Series 1997 revenue bonds was \$1,350,000.

The refunding portion's net proceeds of \$1,294,400 were provided to an escrow agent (trustee) to purchase an irrevocable trust to pay all remaining debt service on the bonds and to call in the outstanding bonds on their call date of January 1, 2007. The original bonds of \$1,450,000 were issued for the construction of the Southfield Estates housing project. As a result of this transaction, the bonds to be called are defeased in-substance, and the liability for these bonds has been removed from the enterprise fund. The outstanding amount of the defeased debt was \$1,360,000 at December 31, 2005. The refunding reduced cash flows required for debt service of the Series 1997 bonds by \$301,795 over the next 29 years. The refunding resulted in an economic gain of \$166,635:

These bonds vary in length of time and amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	<u>Amount</u>
\$2,445,000 Public General Obligation Housing Development Bonds, Series 2005A, due in annual installments of \$25,000 to \$145,000 through 2035; interest from 3.50 to 4.38 percent.	\$ 2,445,000
\$6,740,000 Public Project Revenue Bonds, Series 2004A, due in annual installments of \$55,000 to \$510,000 through 2026; interest from 3.95 to 5.15 percent.	6,740,000
\$2,000,000 Housing Development Bonds, Series 2003, due in annual installments ranging from \$35,000 to \$135,000 through 2033; interest from 3.25 to 5.00 percent.	2,000,000
\$3,795,000 Housing and Redevelopment Authority Lease Revenue Bonds, Series 1997, due in annual installments of \$200,000 to \$890,000 through 2009; interest from 4.50 to 4.90 percent.	<u>3,395,000</u>
Total General Obligation Bonds	<u>\$ 14,580,000</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

4. Long-Term Debt

General Obligation Bonds (Continued)

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

Year Ending December 31	Principal	Interest
2006	\$ 880,000	\$ 593,361
2007	1,150,000	606,799
2008	1,200,000	553,914
2009	1,205,000	499,391
2010	360,000	464,412
2011 – 2015	2,065,000	2,084,742
2016 – 2020	2,590,000	1,574,854
2021 – 2025	3,315,000	874,183
2026 – 2030	1,125,000	274,946
2031 – 2035	690,000	70,750
Total	<u>\$ 14,580,000</u>	<u>\$ 7,597,352</u>

Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
G.O. lease revenue	\$ 3,980,000	\$ -	\$ 585,000	\$ 3,395,000	\$ 800,000
G.O. gross revenue	1,385,000	-	1,385,000	-	-
G.O. development	2,000,000	2,445,000	-	4,445,000	25,000
G.O. public project	6,740,000	-	-	6,740,000	55,000
Compensated absences	6,999	19,630	7,504	19,125	9,563
Less: discount	(123,904)	(175,494)	(21,506)	(277,892)	(10,392)
Long-Term Liabilities	<u>\$ 13,988,095</u>	<u>\$ 2,289,136</u>	<u>\$ 1,955,998</u>	<u>\$ 14,321,233</u>	<u>\$ 879,171</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

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6. Component Unit Disclosures (Continued)

C. Other Information

1. Risk Management

The HRA-EDA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the HRA-EDA carries commercial insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

2. Defined Contribution Plan

HRA-EDA employees participate in a Simplified Employee Pension (SEP) plan, a defined contribution plan, established under section 408(k) of the Internal Revenue Code. The plan is administered by Union Bank and Trust Company. The payroll for employees covered by the SEP for the year ended December 31, 2005, was \$106,634.

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

Benefits depend solely on amounts contributed plus related investment earnings. Contributions were as follows:

	<u>2005 Contributions</u>	<u>Percent of Covered Payroll</u>
Employer	\$ 5,329	5%
Employee	-	-

As of December 31, 2005, and for the year then ended, the SEP held no securities issued by the HRA-EDA or other related parties.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

County Building - to account for repairs and improvements to County buildings. Financing is provided by property taxes.

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

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

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

South Sewer District - to account for funds used for the sewage disposal for certain parcels of South Center and South Lindstrom Lakes. Financing is provided by special assessments against parcels of property benefited by the program.

Nursing Home - to account for funds used to make capital improvements to the Green Acres Nursing Home. Financing is provided through lease payments received from Ebenezer Social Ministry.

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

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

Missing Heirs - to account for all funds held by the County for unclaimed legacies.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

Debt Service Fund

Building - to account for the accumulation of resources for the payment of principal and interest on the various County buildings.

Capital Projects Fund

Library - to account for the construction of three new library buildings.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	Special Revenue				
	County Building	Parks	Ditch	Lake Improvement District	South Sewer District
<b>Assets</b>					
Cash and pooled investments	\$ 337,203	\$ 885,002	\$ 114,103	\$ 385,431	\$ 89,068
Undistributed cash in agency funds	2,244	-	218	2,930	-
Taxes receivable					
Prior	5,591	-	-	6,722	-
Special assessments receivable					
Prior	-	-	340	-	-
Noncurrent	-	-	-	15,925	60,700
Accounts receivable	-	-	-	-	-
Due from component unit	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 345,038</b>	<b>\$ 885,002</b>	<b>\$ 114,661</b>	<b>\$ 411,008</b>	<b>\$ 149,768</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 4,259	\$ -	\$ -	\$ 2,992	\$ -
Salaries payable	-	-	-	-	-
Contracts payable	-	-	-	-	-
Due to other governments	14	-	-	-	-
Deferred revenue - unavailable	4,357	-	340	5,112	-
Deferred revenue - unearned	-	-	-	15,925	60,700
<b>Total Liabilities</b>	<b>\$ 8,630</b>	<b>\$ -</b>	<b>\$ 340</b>	<b>\$ 24,029</b>	<b>\$ 60,700</b>
<b>Fund Balances</b>					
Reserved for					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 89,000
Unreserved					
Designated for future expenditures	336,408	885,000	114,000	385,000	-
Undesignated	-	2	321	1,979	68
<b>Total Fund Balances</b>	<b>\$ 336,408</b>	<b>\$ 885,002</b>	<b>\$ 114,321</b>	<b>\$ 386,979</b>	<b>\$ 89,068</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 345,038</b>	<b>\$ 885,002</b>	<b>\$ 114,661</b>	<b>\$ 411,008</b>	<b>\$ 149,768</b>

**Statement 1**

<b>Funds</b>				<b>Building Debt Service Fund</b>	<b>Library Capital Projects Fund</b>	<b>Total</b>
<b>Nursing Home</b>	<b>Solid Waste</b>	<b>Forfeited Tax Sale</b>	<b>Missing Heirs</b>			
\$ 199,270	\$ 685,551	\$ 5,664	\$ 99	\$ 1,959,083	\$ -	\$ 4,660,474
-	7,898	-	-	17,850	-	31,140
-	-	-	-	42,052	-	54,365
-	52,736	-	-	-	-	53,076
-	-	-	-	-	-	76,625
-	2,584	-	-	-	4,462	7,046
-	-	-	-	-	437,606	437,606
<b>\$ 199,270</b>	<b>\$ 748,769</b>	<b>\$ 5,664</b>	<b>\$ 99</b>	<b>\$ 2,018,985</b>	<b>\$ 442,068</b>	<b>\$ 5,320,332</b>
\$ -	\$ 9,314	\$ -	\$ -	\$ -	\$ 32,446	\$ 49,011
-	3,241	-	-	-	-	3,241
-	-	-	-	-	409,622	409,622
-	423	-	-	-	-	437
-	52,736	-	-	32,239	-	94,784
-	-	-	-	-	-	76,625
<b>\$ -</b>	<b>\$ 65,714</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,239</b>	<b>\$ 442,068</b>	<b>\$ 633,720</b>
\$ -	\$ -	\$ -	\$ -	\$ 1,986,746	\$ -	\$ 2,075,746
199,000	683,055	-	-	-	-	2,602,463
270	-	5,664	99	-	-	8,403
<b>\$ 199,270</b>	<b>\$ 683,055</b>	<b>\$ 5,664</b>	<b>\$ 99</b>	<b>\$ 1,986,746</b>	<b>\$ -</b>	<b>\$ 4,686,612</b>
<b>\$ 199,270</b>	<b>\$ 748,769</b>	<b>\$ 5,664</b>	<b>\$ 99</b>	<b>\$ 2,018,985</b>	<b>\$ 442,068</b>	<b>\$ 5,320,332</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Special Revenue				
	County Building	Parks	Ditch	Lake Improvement District	South Sewer District
<b>Revenues</b>					
Taxes	\$ 153,462	\$ -	\$ -	\$ 231,135	\$ -
Special assessments	-	-	9,653	-	39,939
Intergovernmental	20,422	-	-	35,651	-
Charges for services	-	352,315	-	-	40,474
Gifts and contributions	-	75,351	-	-	-
Miscellaneous	16,676	-	-	5,178	-
<b>Total Revenues</b>	<b>\$ 190,560</b>	<b>\$ 427,666</b>	<b>\$ 9,653</b>	<b>\$ 271,964</b>	<b>\$ 80,413</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 97,698	\$ -	\$ -	\$ -	\$ -
Public safety	62,027	-	-	-	-
Highways and streets	21,454	-	-	-	-
Sanitation	-	-	-	-	-
Culture and recreation	-	385,459	-	-	-
Conservation of natural resources	-	-	4,700	142,525	-
<b>Capital outlay</b>	-	-	-	-	-
<b>Debt service</b>					
Principal	-	-	-	-	75,000
Interest and fiscal charges	-	-	-	374	11,670
<b>Total Expenditures</b>	<b>\$ 181,179</b>	<b>\$ 385,459</b>	<b>\$ 4,700</b>	<b>\$ 142,899</b>	<b>\$ 86,670</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 9,381</b>	<b>\$ 42,207</b>	<b>\$ 4,953</b>	<b>\$ 129,065</b>	<b>\$ (6,257)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 90,000
Transfers out	(87,926)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (87,926)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 90,000</b>
<b>Net Change in Fund Balance</b>	<b>\$ (78,545)</b>	<b>\$ 42,207</b>	<b>\$ 4,953</b>	<b>\$ 129,065</b>	<b>\$ 83,743</b>
<b>Fund Balance - January 1</b>	<b>414,953</b>	<b>842,795</b>	<b>109,368</b>	<b>257,914</b>	<b>5,325</b>
<b>Fund Balance - December 31</b>	<b>\$ 336,408</b>	<b>\$ 885,002</b>	<b>\$ 114,321</b>	<b>\$ 386,979</b>	<b>\$ 89,068</b>

**Statement 2**

<b>Funds</b>				<b>Building Debt Service Fund</b>	<b>Library Capital Projects Fund</b>	<b>Total</b>
<b>Nursing Home</b>	<b>Solid Waste</b>	<b>Forfeited Tax Sale</b>	<b>Missing Heirs</b>			
\$ -	\$ -	\$ 2,498	\$ -	\$ 1,231,165	\$ -	\$ 1,618,260
-	440,048	-	-	-	-	489,640
-	135,301	-	-	107,847	-	299,221
-	16,287	-	-	374	-	409,450
-	-	-	-	-	-	75,351
-	-	-	-	-	4,526,337	4,548,191
<b>\$ -</b>	<b>\$ 591,636</b>	<b>\$ 2,498</b>	<b>\$ -</b>	<b>\$ 1,339,386</b>	<b>\$ 4,526,337</b>	<b>\$ 7,440,113</b>
\$ 8,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,121
-	-	-	-	-	-	62,027
-	-	-	-	-	-	21,454
-	483,479	-	-	-	-	483,479
-	-	-	-	-	-	385,459
-	-	-	-	-	-	147,225
-	-	-	-	-	4,526,337	4,526,337
35,000	-	-	-	1,440,000	-	1,550,000
14,068	-	-	-	920,805	-	946,917
<b>\$ 57,491</b>	<b>\$ 483,479</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,360,805</b>	<b>\$ 4,526,337</b>	<b>\$ 8,229,019</b>
<b>\$ (57,491)</b>	<b>\$ 108,157</b>	<b>\$ 2,498</b>	<b>\$ -</b>	<b>\$ (1,021,419)</b>	<b>\$ -</b>	<b>\$ (788,906)</b>
\$ -	\$ -	\$ -	\$ -	\$ 1,290,025	\$ -	\$ 1,380,025
-	(23,000)	-	-	-	-	(110,926)
<b>\$ -</b>	<b>\$ (23,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,290,025</b>	<b>\$ -</b>	<b>\$ 1,269,099</b>
<b>\$ (57,491)</b>	<b>\$ 85,157</b>	<b>\$ 2,498</b>	<b>\$ -</b>	<b>\$ 268,606</b>	<b>\$ -</b>	<b>\$ 480,193</b>
<b>256,761</b>	<b>597,898</b>	<b>3,166</b>	<b>99</b>	<b>1,718,140</b>	<b>-</b>	<b>4,206,419</b>
<b>\$ 199,270</b>	<b>\$ 683,055</b>	<b>\$ 5,664</b>	<b>\$ 99</b>	<b>\$ 1,986,746</b>	<b>\$ -</b>	<b>\$ 4,686,612</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 153,495	\$ 153,495	\$ 153,462	\$ (33)
Intergovernmental	19,605	19,605	20,422	817
Miscellaneous	-	-	16,676	16,676
<b>Total Revenues</b>	<b>\$ 173,100</b>	<b>\$ 173,100</b>	<b>\$ 190,560</b>	<b>\$ 17,460</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Other	\$ 80,000	\$ 80,000	\$ 97,698	\$ (17,698)
<b>Public safety</b>				
Other	-	-	62,027	(62,027)
<b>Highways and streets</b>				
Other	-	-	21,454	(21,454)
<b>Total Expenditures</b>	<b>\$ 80,000</b>	<b>\$ 80,000</b>	<b>\$ 181,179</b>	<b>\$ (101,179)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 93,100</b>	<b>\$ 93,100</b>	<b>\$ 9,381</b>	<b>\$ (83,719)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(93,100)	(93,100)	(87,926)	5,174
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (78,545)</b>	<b>\$ (78,545)</b>
<b>Fund Balance - January 1</b>	<b>414,953</b>	<b>414,953</b>	<b>414,953</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 414,953</b>	<b>\$ 414,953</b>	<b>\$ 336,408</b>	<b>\$ (78,545)</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
PARKS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for services	\$ 150,000	\$ 150,000	\$ 352,315	\$ 202,315
Gifts and contributions	-	-	75,351	75,351
<b>Total Revenues</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>	<b>\$ 427,666</b>	<b>\$ 277,666</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	\$ 150,000	\$ 150,000	\$ 233,088	\$ (83,088)
Other	-	-	152,371	(152,371)
<b>Total Expenditures</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>	<b>\$ 385,459</b>	<b>\$ (235,459)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,207</b>	<b>\$ 42,207</b>
<b>Fund Balance - January 1</b>	<b>842,795</b>	<b>842,795</b>	<b>842,795</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 842,795</b>	<b>\$ 842,795</b>	<b>\$ 885,002</b>	<b>\$ 42,207</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 7*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 8,000	\$ 8,000	\$ 9,653	\$ 1,653
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	8,000	8,000	4,700	3,300
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,953</b>	<b>\$ 4,953</b>
<b>Fund Balance - January 1</b>	<b>109,368</b>	<b>109,368</b>	<b>109,368</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 109,368</b>	<b>\$ 109,368</b>	<b>\$ 114,321</b>	<b>\$ 4,953</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 8*

**BUDGETARY COMPARISON SCHEDULE  
LAKE IMPROVEMENT DISTRICT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 250,000	\$ 250,000	\$ 231,135	\$ (18,865)
Intergovernmental	-	-	35,651	35,651
Miscellaneous	-	-	5,178	5,178
<b>Total Revenues</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ 271,964</b>	<b>\$ 21,964</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	\$ 250,000	\$ 250,000	\$ 142,525	\$ 107,475
<b>Debt service</b>				
Fiscal charges	-	-	374	(374)
<b>Total Expenditures</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ 142,899</b>	<b>\$ 107,101</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 129,065</b>	<b>\$ 129,065</b>
<b>Fund Balance - January 1</b>	<b>257,914</b>	<b>257,914</b>	<b>257,914</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 257,914</b>	<b>\$ 257,914</b>	<b>\$ 386,979</b>	<b>\$ 129,065</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 9*

**BUDGETARY COMPARISON SCHEDULE  
SOUTH SEWER DISTRICT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Special assessments	\$ 15,000	\$ 15,000	\$ 39,939	\$ 24,939
Charges for services	65,940	65,940	40,474	(25,466)
<b>Total Revenues</b>	<b>\$ 80,940</b>	<b>\$ 80,940</b>	<b>\$ 80,413</b>	<b>\$ (527)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Interest	11,670	11,670	11,670	-
<b>Total Expenditures</b>	<b>\$ 86,670</b>	<b>\$ 86,670</b>	<b>\$ 86,670</b>	<b>\$ -</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (5,730)</b>	<b>\$ (5,730)</b>	<b>\$ (6,257)</b>	<b>\$ (527)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	90,000	90,000
<b>Net Change in Fund Balance</b>	<b>\$ (5,730)</b>	<b>\$ (5,730)</b>	<b>\$ 83,743</b>	<b>\$ 89,473</b>
<b>Fund Balance - January 1</b>	<b>5,325</b>	<b>5,325</b>	<b>5,325</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (405)</b>	<b>\$ (405)</b>	<b>\$ 89,068</b>	<b>\$ 89,473</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 10*

**BUDGETARY COMPARISON SCHEDULE  
NURSING HOME SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Other	\$ 72,000	\$ 72,000	\$ 8,423	\$ 63,577
<b>Debt service</b>				
Principal	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Interest	14,065	14,065	14,068	(3)
<b>Total debt service</b>	\$ 49,065	\$ 49,065	\$ 49,068	\$ (3)
<b>Total Expenditures</b>	\$ 121,065	\$ 121,065	\$ 57,491	\$ 63,574
<b>Net Change in Fund Balance</b>	\$ (121,065)	\$ (121,065)	\$ (57,491)	\$ 63,574
<b>Fund Balance - January 1</b>	256,761	256,761	256,761	-
<b>Fund Balance - December 31</b>	\$ 135,696	\$ 135,696	\$ 199,270	\$ 63,574

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 11*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Special assessments	\$ 525,000	\$ 525,000	\$ 440,048	\$ (84,952)
Licenses and permits	4,100	4,100	-	(4,100)
Intergovernmental	128,000	128,000	135,301	7,301
Charges for services	10,500	10,500	16,287	5,787
<b>Total Revenues</b>	<b>\$ 667,600</b>	<b>\$ 667,600</b>	<b>\$ 591,636</b>	<b>\$ (75,964)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Recycling	\$ 120,951	\$ 120,951	\$ 107,916	\$ 13,035
Hazardous waste	164,145	164,145	153,911	10,234
Other	293,000	293,000	221,652	71,348
<b>Total sanitation</b>	<b>\$ 578,096</b>	<b>\$ 578,096</b>	<b>\$ 483,479</b>	<b>\$ 94,617</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 89,504</b>	<b>\$ 89,504</b>	<b>\$ 108,157</b>	<b>\$ 18,653</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(23,000)	(23,000)	(23,000)	-
<b>Net Change in Fund Balance</b>	<b>\$ 66,504</b>	<b>\$ 66,504</b>	<b>\$ 85,157</b>	<b>\$ 18,653</b>
<b>Fund Balance - January 1</b>	<b>597,898</b>	<b>597,898</b>	<b>597,898</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 664,402</b>	<b>\$ 664,402</b>	<b>\$ 683,055</b>	<b>\$ 18,653</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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

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

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

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

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Statement 3*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>EMPLOYEE RECOGNITION</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 183	\$ 9,911	\$ 4,362	\$ 5,732
<b><u>Liabilities</u></b>				
Accounts payable	\$ 183	\$ 9,911	\$ 4,362	\$ 5,732
 <b><u>FLEXIBLE BENEFITS PLAN</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 31,886	\$ 180,133	\$ 170,924	\$ 41,095
<b><u>Liabilities</u></b>				
Deferred benefits	\$ 31,886	\$ 180,133	\$ 170,924	\$ 41,095
 <b><u>REGION 7E</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 71,950	\$ 71,950	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 71,950	\$ 71,950	\$ -

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Statement 3  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>SCHOOL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 13,709,303	\$ 13,709,303	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 13,709,303	\$ 13,709,303	\$ -
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 516,175	\$ 57,261,052	\$ 57,320,790	\$ 456,437
<b><u>Liabilities</u></b>				
Unapportioned taxes	\$ -	\$ 344,385	\$ 344,385	\$ -
Unapportioned special assessments	-	8,115	8,115	-
Due to other governments	516,175	56,908,552	56,968,290	456,437
<b>Total Liabilities</b>	<b>\$ 516,175</b>	<b>\$ 57,261,052</b>	<b>\$ 57,320,790</b>	<b>\$ 456,437</b>
 <b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 17,483,999	\$ 17,483,999	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 17,483,999	\$ 17,483,999	\$ -

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Statement 3  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 764,763	\$ 4,714,295	\$ 4,994,937	\$ 484,121
<b><u>Liabilities</u></b>				
Due to other funds	\$ -	\$ 122,769	\$ 122,769	\$ -
Due to other governments	764,763	4,591,526	4,872,168	484,121
<b>Total Liabilities</b>	<b>\$ 764,763</b>	<b>\$ 4,714,295</b>	<b>\$ 4,994,937</b>	<b>\$ 484,121</b>
 <b><u>LOCAL COLLABORATIVES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 199,682	\$ 459,795	\$ 226,983	\$ 432,494
<b><u>Liabilities</u></b>				
Due to other governments	\$ 199,682	\$ 459,795	\$ 226,983	\$ 432,494
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,512,689	\$ 93,890,438	\$ 93,983,248	\$ 1,419,879
<b><u>Liabilities</u></b>				
Accounts payable	\$ 183	\$ 9,911	\$ 4,362	\$ 5,732
Unapportioned taxes	-	344,385	344,385	-
Unapportioned special assessments	-	8,115	8,115	-
Due to other funds	-	122,769	122,769	-
Deferred benefits	31,886	180,133	170,924	41,095
Due to other governments	1,480,620	93,225,125	93,332,693	1,373,052
<b>Total Liabilities</b>	<b>\$ 1,512,689</b>	<b>\$ 93,890,438</b>	<b>\$ 93,983,248</b>	<b>\$ 1,419,879</b>

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## **SUPPORTING SCHEDULES**

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**Schedule 12**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2005**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
<b>Deposits and Investments</b>			
<b>Checking accounts</b>			
Mainstreet Bank	-		\$ 34,978
Lake Area Bank	-		(584,395)
<b>Total checking accounts</b>			<b>\$ (549,417)</b>
<b>Savings account</b>			
Community National Bank	Variable		<b>\$ 50,034</b>
<b>Mutual funds</b>			
Cadre Financial Services (MAGIC Fund)	Variable		<b>\$ 7,438,264</b>
<b>Commercial paper</b>			
Wachovia Securities	1.55	January 31, 2006	<b>\$ 995,500</b>
<b>Certificates of deposit - bank</b>			
Mainstreet Bank	3.50	March 25, 2006	\$ 11,982
Unity Bank East, Rush City	Variable	-	51,929
First State Bank, Wyoming	Variable	-	51,998
First State Bank, Wyoming	Variable	December 9, 2006	5,000
First State Bank, Wyoming	Variable	April 11, 2007	90,000
First State Bank, Wyoming	3.00	September 7, 2006	23,201
First National Bank of Hudson	Variable	-	52,340
First National Bank of Hudson	5.00	December 17, 2006	24,570
S & C Bank	Variable	May 15, 2006	5,000
S & C Bank	Variable	-	50,000
Lake Area Bank	Variable	-	51,986
River Bank	2.53	-	52,000
River Bank	2.77	March 12, 2006	600,000
River Bank	3.50	May 22, 2006	100,000
River Bank	1.50	March 15, 2006	25,000
River Bank	3.56	April 30, 2006	2,000,000
<b>Total certificates of deposit - bank</b>			<b>\$ 3,195,006</b>
<b>Certificates of deposit - brokered</b>			
Wachovia Securities - 33744HJP0	5.00	September 12, 2006	\$ 96,092
Wachovia Securities - 990002XH5	5.20	September 20, 2006	100,243
Wachovia Securities - 990002NU7	5.05	March 6, 2007	100,141
Wachovia Securities - 47816HAW7	3.50	April 30, 2009	98,568
Wachovia Securities - 85339RH89		January 26, 2011	94,012
Wachovia Securities - 51803U5R2		March 9, 2011	94,255
Wachovia Securities - 553036BQ6	4.25	December 20, 2012	95,388
Wachovia Securities - 94675PBL4	3.00	July 8, 2013	95,351
<b>Total certificates of deposit - brokered</b>			<b>\$ 774,050</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**Schedule 12  
(Continued)**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2005**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
<b>Deposits and Investments (Continued)</b>			
<b>U.S. government securities</b>			
FHLB - 3133XAXJ1	3.00	March 23, 2006	\$ 299,820
FNMA - 31359MVP5	3.13	July 15, 2006	1,985,340
FHLB - 3133XCLM3	3.88	August 10, 2006	199,578
FNMA - 31359MSV6	2.75	August 11, 2006	989,290
FHLB - 3133XBZE8	3.75	September 22, 2006	498,800
FHLB - 3133XBCZ6	3.25	October 12, 2006	299,442
FHLB - 3133X8Y55	2.00	October 27, 2006	149,562
FHLB - 3133XBLP8	3.25	October 27, 2006	249,483
FHLB - 3133XD5Q0	3.90	October 27, 2006	299,370
FHLB - 3133M7XU6	3.00	December 5, 2006	299,981
FHLB - 3133X9PK0	4.00	December 15, 2006	747,030
FHLB - 3133XCPK3	4.25	February 22, 2007	198,812
FHLB - 3133X6CB0	3.00	April 30, 2007	197,364
FHLB - 3133XRBRX5	3.75	May 24, 2007	249,400
FHLB - 3133X9X47	3.75	June 29, 2007	397,824
FHLB - 3133X4BG5	3.50	September 10, 2007	296,418
FHLB - 3133X4GJ4	4.00	September 17, 2007	844,042
FHLB - 3133X8UZ3	2.00	October 12, 2007	249,075
FHLB - 3133X93N8	3.50	November 9, 2007	345,961
FHLB - 3133X86S6	4.00	February 25, 2008	199,494
FHLB - 3133X53P1	2.75	April 7, 2008	244,798
FHLB - 31339YLD2	3.50	July 29, 2008	736,973
FHLB - 31339YX56	3.75	August 13, 2008	983,320
FHLB - 3133X07B9	4.00	August 20, 2008	494,710
FHLB - 3133MYX93	3.00	December 5, 2008	244,930
FHLB - 31339XPB4	3.75	December 30, 2008	318,555
FHLB - 31339XPM0	3.25	December 30, 2008	487,420
FHLB - 3133X6HM1	3.00	May 12, 2009	298,260
FHLB - 3133X3L92	3.50	August 19, 2009	394,164
FHLB - 3133X4TM3	3.00	March 30, 2010	146,726
FHLB - 3133MYZT7	4.00	June 12, 2013	390,220
FHLB - 31339XBK9	4.00	June 19, 2013	302,377
FHLB - 31339XJ88	4.00	June 26, 2013	292,581
FHLB - 31339XJ88	3.00	June 26, 2013	195,376
FHLB - 31339XZW7	3.00	July 16, 2013	119,506
<b>Total U.S. government securities</b>			<b>\$ 14,646,002</b>
<b>Total Deposits and Investments</b>			<b>\$ 26,549,439</b>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 13*

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

	Taxes Payable in Year					
	2004		2005		2006	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real property	\$ 32,785,061		\$ 38,948,094		\$ 44,916,092	
Personal property	834,117		864,912		887,093	
<b>Total Tax Capacity</b>	<b>\$ 33,619,178</b>		<b>\$ 39,813,006</b>		<b>\$ 45,803,185</b>	
<b>Taxes Levied for County Purposes</b>						
County Revenue	\$ 10,211,975	27.628	\$ 11,640,636	27.397	\$ 12,320,729	23.634
Road and Bridge	3,375,210	9.131	3,492,760	8.084	3,990,798	8.934
Road and Bridge Bonds	-	-	607,686	1.567	609,873	1.359
Welfare	4,880,699	13.205	4,880,699	11.487	5,299,257	11.862
Building Repair	60,000	0.162	80,000	0.188	80,000	0.179
Building Repair Bonds	102,682	0.314	93,100	0.240	91,700	0.204
Regional Library*	385,000	1.197	450,891	1.181	478,435	1.089
Courthouse Addition Bonds	148,000	0.452	-	-	-	-
Library Bonds	250,000	0.777	531,396	1.392	540,248	1.229
Capital Equipment Notes	1,694,833	5.180	1,896,663	4.891	2,100,509	4.701
Highway Building Bonds	708,330	2.165	802,000	2.068	802,000	1.795
<b>Total Levy for County Purposes</b>	<b>\$ 21,816,729</b>	<b>60.211</b>	<b>\$ 24,475,831</b>	<b>58.495</b>	<b>\$ 26,313,549</b>	<b>54.986</b>
<b>Less Credits Payable by State</b>	<b>3,872,517</b>		<b>3,503,811</b>		<b>3,377,712</b>	
<b>Net Levy for County Purposes</b>	<b>\$ 17,944,212</b>		<b>\$ 20,972,020</b>		<b>\$ 22,935,837</b>	
<b>Market Value - Light and Power</b>						
Transmission lines	\$ 4,432,100		\$ 4,599,100		\$ 4,699,100	
Distribution lines	948,000		983,800		1,005,300	
<b>Total Market Value - Light and Power</b>	<b>\$ 5,380,100</b>		<b>\$ 5,582,900</b>		<b>\$ 5,704,400</b>	
<b>Tax Capacity - Light and Power</b>						
Transmission lines	\$ 88,642		\$ 91,982		\$ 93,982	
Distribution lines	18,960		19,676		20,106	
<b>Total Tax Capacity - Light and Power</b>	<b>\$ 107,602</b>		<b>\$ 111,658</b>		<b>\$ 114,088</b>	

\*Levy applies to selected areas only.

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

***Schedule 13  
(Continued)***

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

	<b>Taxes Payable in Year</b>					
	<b>2004</b>		<b>2005</b>		<b>2006</b>	
	<b>Amount</b>	<b>Net Tax Capacity Rate (%)</b>	<b>Amount</b>	<b>Net Tax Capacity Rate (%)</b>	<b>Amount</b>	<b>Net Tax Capacity Rate (%)</b>
<b>Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)</b>						
Transmission lines - market value	\$ 2,788	0.06291	\$ 2,760	0.06000	\$ 3,494	0.07434
Distribution lines - market value	596	0.06291	590	0.06000	748	0.07434
Transmission lines - tax capacity	114,402	129.061	113,192	123.061	107,842	114.748
Distribution lines - tax capacity	24,470	129.061	24,214	123.061	23,072	114.748
<b>Total Light and Power Tax Levies</b>	<b><u>\$ 142,256</u></b>		<b><u>\$ 140,756</u></b>		<b><u>\$ 135,156</u></b>	
<b>Special Assessments</b>						
Ditch liens, fees, and assessments	<b><u>\$ 517,249</u></b>		<b><u>\$ 455,563</u></b>		<b><u>\$ 454,096</u></b>	
<b>Percentage of Tax Collections for All Purposes</b>	<b>97.83%</b>		<b>97.63%</b>			

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2005**

	Assets			Total
	Cash	Special Assessments Receivable		
		Unapportioned	Delinquent	
<b>Judicial Ditch</b>				
2	\$ (33)	\$ -	\$ -	\$ (33)
<b>County Ditches</b>				
1	(395)	-	-	(395)
2	6,692	11	4	6,707
3	18,886	5	27	18,918
4	1,540	-	3	1,543
5	32,938	-	-	32,938
6	9,605	-	11	9,616
7	19,274	34	152	19,460
8	41	20	48	109
9	5,880	9	49	5,938
10	17,538	82	44	17,664
11	(59)	-	-	(59)
14	2,196	57	2	2,255
<b>Total</b>	<b>\$ 114,103</b>	<b>\$ 218</b>	<b>\$ 340</b>	<b>\$ 114,661</b>

**Schedule 14**

<u>Liabilities Deferred Revenue</u>	<u>Designated</u>	<u>Fund Balances Undesignated</u>	<u>Total</u>	<u>Total Liabilities and Fund Balances</u>
\$ -	\$ -	\$ (33)	\$ (33)	\$ (33)
-	-	(395)	(395)	(395)
4	6,658	45	6,703	6,707
27	18,788	103	18,891	18,918
3	1,532	8	1,540	1,543
-	32,768	170	32,938	32,938
11	9,556	49	9,605	9,616
152	19,175	133	19,308	19,460
48	41	20	61	109
49	5,850	39	5,889	5,938
44	17,447	173	17,620	17,664
-	-	(59)	(59)	(59)
2	2,185	68	2,253	2,255
<u>\$ 340</u>	<u>\$ 114,000</u>	<u>\$ 321</u>	<u>\$ 114,321</u>	<u>\$ 114,661</u>

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

**Schedule 15**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Shared Revenue**

**State**

Highway users tax	\$	4,466,503
HACA		1,807,036
Market value credit (MVC)		1,714,435
Mobile home MVC		32,699
PERA rate reimbursement		48,855
Disparity reduction aid		4,985
Police aid		181,959
Enhanced 911		84,431
		84,431

**Total Shared Revenue** **\$ 8,340,903**

**Reimbursement for Services**

Minnesota Department of Human Services	\$	2,772,089
		2,772,089

**Payments**

**Local**

Local contributions	\$	25,569
Payments in lieu of taxes		228,574
		228,574

**Total Payments** **\$ 254,143**

**Grants**

**State**

Minnesota Department of		
Corrections	\$	208,193
Public Safety		26,296
Transportation		220,772
Health		527,476
Natural Resources		36,469
Human Services		2,102,897
Soil and Water Resources Board		53,492
Office of Environmental Assistance		109,732
Peace Officer Standards and Training Board		11,985
Pollution Control Agency		60,000
Miscellaneous boards		383,982
		383,982

**Total State** **\$ 3,741,294**

**Federal**

Department of		
Agriculture	\$	139,235
Justice		86,063
Transportation		1,086,646
Environmental Protection		35,103
Health and Human Services		1,179,179
Homeland Security		324,878
		324,878

**Total Federal** **\$ 2,851,104**

**Total State and Federal Grants** **\$ 6,592,398**

**Total Intergovernmental Revenue** **\$ 17,959,533**



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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 16*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses an unqualified opinion on the basic financial statements of Chisago County.
- B. Reportable conditions in internal control were disclosed by the audit of financial statements of Chisago County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Chisago County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Chisago County expresses a qualified opinion.
- F. A finding was disclosed that is required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- |   |              |
|---|--------------|
| Highway Planning and Construction             | CFDA #20.205 |
| Foster Care Title IV-E                        | CFDA #93.658 |
| State Domestic Preparedness Equipment Support | CFDA #97.004 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Chisago County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-3 Segregation of Duties

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

Client's Response:

*We are aware of this concern and each office has taken care of their operations. Limited staffing makes total compliance not practical.*

04-1 Sheriff's Office - Prisoners' Accounts

Our previous report indicated that Sheriff's Office staff were unable to reconcile the prisoners' cash balances on hand with the checking account balance. Following completion of our 2004 audit report, we were requested by the Sheriff to perform additional procedures related to internal controls and record keeping for the prisoners' accounts. The results of that review are contained in a separate report dated January 19, 2006.

Our follow-up review of our previous findings found that substantial progress has been made in accounting for prisoners' accounts. Individual account balances of prisoners can now be reconciled to cash on hand and in the checking account. Bank reconciliations are performed on a regular basis. There is greater accountability for receipt and check documents. We recognize the efforts of the Sheriff's Office staff to address significant issues found in our previous reports.

**Schedule 16**  
**(Continued)**

The following areas still need to be addressed in order to provide an adequate level of internal control and understanding of the prisoners' activities.

- As stated in comment 96-3 above, segregation of the accounting functions is not present. Relative to the prisoners' accounts, this condition currently exists with one individual who is responsible for making bank deposits and also recording the same in the ledgers and reconciling the bank accounts.
- Written accounting policies and procedures for prisoner account activities have not yet been completed. Written policies and procedures will serve as a reference for existing staff and as a guide for future staff to follow.
- Though Sheriff's Office staff are now able to reconcile prisoners' account balances with funds on hand, an unreconciled account balance is being carried forward from a previous period. The nature of how this balance was created is unknown at this time and, given the internal control deficiencies that previously existed, it may not be possible to resolve this balance.

We recommend that the Sheriff maintain an awareness of the segregation of duties condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view. Further, we recommend that an accounting policies and procedures manual be completed for the prisoners' activities and that it be approved by the Sheriff. Finally, regarding the unreconciled account balance, we recommend that if the balance remains unchanged for 12 consecutive months, the Sheriff authorize the write-off of the unreconciled amount and submit it to the County Board for approval.

Client's Response:

*The County Sheriff is aware of the segregation of duties. The department is seeking assistance in developing written policies for this operation. The Sheriff will seek County Board authorization after a twelve-month wait period to write-off unreconciled amounts.*

ITEMS ARISING THIS YEAR

05-1 Accounting Policies and Procedures

The County does not have a comprehensive manual of accounting policies and procedures. Written policies and procedures should exist to set forth requirements to account for such matters as:

- receipt and deposit of funds,
- purchase of goods and services,
- contracting practices,
- approval and payment of bills,
- accounting for payroll activities,
- accounting for capital assets,
- physical counts of inventory items,
- investment practices and restrictions, and
- annual financial reporting practices.

Written policies and procedures should exist to ensure that County practices are followed as intended by County management. A formalized manual will also provide guidance for future County staff.

We recommend a policies and procedures manual be developed for the County's accounting practices and that it be adopted by the County Board.

Client's Response:

*The County is searching for assistance with accounting policies and procedures. We will make every effort to develop a written policy.*

05-2 Expense Reimbursements

Our 2005 audit included an extensive review of expense reimbursements to County Commissioners and other County officials. We also reviewed expenses incurred on county credit cards and open store accounts. The County has written policies and procedures for reimbursement of county-related expenses. Staff of the County Administrator's and County Auditor's Offices appear to be reviewing reimbursement forms from all County officials on a regular basis. Many questions raised by our review were adequately addressed by County staff. However, the following matters were identified as requiring attention by management:

- Presently, expense forms for elected officials and department heads do not include a sign-off line for individuals reviewing forms for correctness. As a result, forms have the appearance that no one has reviewed them.
- County officials do not document the basis for claiming mileage reimbursement, such as odometer readings or mileage calculations obtained from a web page.
- Several expense forms lacked indication of the general purpose for incurring the expense.
- It appears proper use of open store accounts is not addressed in the County's policies on expense reimbursements.
- Reviews of expense forms by County staff did not appear to address whether expenses were incurred for a public purpose, which is required for all County expenses.

We recommend that County management review the above items and determine if the expense reimbursement policies should be modified to address these conditions.

Client's Response:

- *Need for a review of the elected officials (County Attorney, Sheriff, Treasurer, Auditor, plus County Administrator) claim requests – Implemented October 2006.*
- *County officials documenting mileage by odometer or mileage calculations – Implemented October 2006.*
- *Detail required in addition to receipt as well as note of public necessity – Implemented October 2006.*
- *Store accounts – Policies are being drafted, we will attempt to limit these.*

05-3 Social Services Division – Operating Procedures and Documentation

Due to the questioned costs determined through an investigation by the Minnesota Department of Human Services (see comment 05-4 that follows), we expanded our audit procedures in the Health and Human Services Department. We examined internal controls within the Social Services Division, where the questioned costs occurred. Our examination covered operating procedures and review of expenditure documents. We found the following:

- There is a lack of written accounting policies and procedures. Staff we interviewed could not tell us the location of any written procedures. Written policies and procedures should exist to help ensure adherence by employees of management's intentions. The policies and procedures should be approved by the Director of Health and Human Services and the County Board.
- Staff who open the department's mail do not maintain a log of funds received. A log should be maintained and compared with deposits to the County Auditor. Someone not involved with the receipting and depositing function should perform the comparison.
- There is not a specific process for creating new vendors in the accounting system. It appears several Social Services staff have the ability to create new vendors without supervisory oversight. A policy should be established that provides accountability for creating new vendors.

**Schedule 16**  
**(Continued)**

- The System Authorization and Utilization Team (SAUT) consists of Social Services staff who review and approve certain expenditure items of the Social Services Division prior to payment. We found that the SAUT does not have a formal organizational structure or written policies as to its purpose or authority. These items should be formalized to provide guidance for SAUT members and help ensure adherence to management's intentions.
- Our tests of disbursements from the Social Welfare Fund found 7 of 13 disbursements lacked sufficient documentation to support the claim. These disbursements consisted primarily of regular monthly charges for such things as room and board. Despite the frequency of the same monthly charges being submitted, documentation should be attached to these claims for payments.

We recommend that the Health and Human Services Department consider the above conditions and take appropriate actions to strengthen its internal controls.

Client's Response:

*Director, Mary Sheehan, with the endorsement of County Administrator John Moosey, recommended an organizational restructuring to the County Board on November 22, 2006. The purpose for the restructuring is to restore clarity, transparency, and accountability. The restructuring includes a position creation of a Director of Finance and Operations. Our mission of providing great service with accountability will be the result of these changes. A summary of the Administrator's response to the State Auditor's recommendation and concerns:*

- *Lack of written policies – The County is searching for assistance with accounting policies and procedures. We will make every effort to develop a written policy. Expected completion date July 2007.*
- *Log of funds received – Log implemented November 2006.*
- *Creation of new vendors – Implemented November 2006. This process will be tightly controlled. No vendor will be added without the approval of the Director of Finance and Operations.*
- *System Authorization and Utilization Team (SAUT) – The team is currently under an inter-department evaluation. It is expected that this team's role (if continued) will be used for review and report to the Director of Finance and Operations.*

- *Documentation – Documentation will be expected for each bill paid. Payment will not be made without the appropriate documentation. Corrected September 2006.*
- *HHS Director Mary Sheehan is responsible for the items of correction.*

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

#### **COMPLIANCE**

#### **05-4 Allowable Costs/Cost Principles – Title IV-E Child Welfare Scholar Phase II Program (CFDA #93.658)**

Questioned Costs: \$62,874

During our fieldwork, we were informed of an investigation being performed by the Minnesota Department of Human Services (DHS), the pass-through agency for the Title IV-E Child Welfare Scholar Phase II Program. The investigation was the result of the DHS receiving a complaint from a concerned citizen, alleging misuse of Title IV-E funds. The investigation by the DHS found that the County improperly claimed Title IV-E Child Welfare Scholar Phase II Program funds totaling \$62,874. This amount has been recorded as a liability in the County's 2005 financial statements. Of this amount, \$5,276 has been repaid by the County through reductions of reimbursement requests to the DHS. The remaining amount of \$57,598 will be invoiced to the County by the DHS.

The DHS provided the Health and Human Services Department written recommendations for complying with program requirements and avoiding future questioned costs. We concur with their recommendations.

Corrective Action Plan:

Contact Person Responsible for Corrective Action:

*Mary Sheehan, Director of Health and Human Services*

Corrective Action Planned:

*Reimburse the program and follow all procedures set forth. This program has been suspended by Chisago County.*

Anticipated Completion Date:

*Thirty days after Chisago County receives an invoice from the Minnesota Department of Human Services in the amount of \$57,598.*

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

**A. LEGAL COMPLIANCE**

**PREVIOUSLY REPORT ITEM NOT RESOLVED**

**04-2 Recreation Equipment Purchases**

Our previous report discussed financial transactions between a County Commissioner, under the name Chisago County Recreation, and Chisago County involving purchases of recreation equipment. Our report disclosed that the County Commissioner violated Minn. Stat. § 382.18, regarding an interest in County purchases by a County official, and Minn. Stat. §§ 471.87-.89, which calls for appropriate procedures to be followed if a county contracts with an interested commissioner. We recommended that County purchases be based on the needs of the County. Further, we recommended that the County have written contracts defining the terms of any recreational services it receives pursuant to Minnesota statutes.

In our review of 2005 County disbursements, we found no payments to the County Commissioner or Chisago County Recreation for recreational equipment. Also, we received correspondence from the County Administrator indicating his actions taken with the County Commissioner to separate County involvement

from Chisago County Recreation. However, we found that no written agreements have yet been formed between the County and Chisago County Recreation describing the terms of Chisago County Recreation's use of County property or any recreational services provided to the County. In our opinion, a written agreement should exist between the County and Chisago County Recreation and the conflict of interest statutes must be followed.

We recommend that the County have written contracts defining the terms of Chisago County Recreation's use of County property and any recreational services it receives pursuant to Minn. Stat. §§ 471.16. The standards and procedures of Minn. Stat. §§ 471.87-.89 should be met.

Client's Response:

*There have been no payments in 2005 for recreational services or recreational equipment. The County Administrator will request that the County Attorney's Office draft an agreement for services provided. We understand that it is your office's determination that an agreement is required in spite of no cost/expense to Chisago County.*

ITEM ARISING THIS YEAR

05-5

Security Interest in Pledged Collateral

We found the County did not have documentation for one of its depositories that it had a perfected security interest in pledged collateral in compliance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). A 1992 U. S. Court of Appeals decision stated that if a municipality fails to perfect a security interest under federal law, its right to such collateral in the event of default is not enforceable. To obtain an enforceable security interest in the collateral, the following is required:

- the assignment of collateral be in writing (required by Minn. Stat. §§ 118A.03, subd.4);
- the assignment be approved by the depository's Board of Directors or loan committee, and a copy of the depository's action should be retained by the County; and
- the assignment of collateral be continuous from the time of execution.

We recommend that the County require its depository to comply with the FIRREA and to provide proof of their compliance in the form of a board or committee resolution to the County.

Client's Response:

*Chisago County will require its depository to comply with the FIRREA, including proof of their compliance.*

B. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the County Board will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

If applicable for Chisago County, GASB Statements 43 and 45 would be implemented for the years ended December 31, 2007 and 2008, respectively.



# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Chisago County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County as of and for the year ended December 31, 2005, and have issued our report thereon dated October 24, 2006. 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.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chisago County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 96-3, 04-1, and 05-1 through 05-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions indicated above is a material weakness.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Chisago County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 04-2 and 05-5.

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

/s/Pat Anderson

PATRICIA ANDERSON  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 24, 2006



# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Chisago County

### Compliance

We have audited the compliance of Chisago County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Chisago County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chisago County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in item 05-4 in the accompanying Schedule of Findings and Questioned Costs, Chisago County did not comply with requirements regarding Allowable Costs/Cost Principles that are applicable to its Foster Care Title IV-E Program. Compliance with such requirements is necessary, in our opinion, for Chisago County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Chisago County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

#### Internal Control Over Compliance

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

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County as of and for the year ended December 31, 2005, and have issued our report thereon dated October 24, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 24, 2006

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**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

*Schedule 17*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 115,666
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	9,569
Passed Through Minnesota Department of Natural Resources Cooperative Forestry Assistance	10.664	<u>14,000</u>
<b>Total U.S. Department of Agriculture</b>		<b>\$ 139,235</b>
<b>U.S. Department of Justice</b>		
Direct Bulletproof Vest Partnership Program	16.607	\$ 5,275
Passed Through Minnesota Supreme Court Juvenile Accountability Incentive Block Grant	16.523	2,000
Passed Through Minnesota Department of Public Safety Crime Victim Assistance Grant	16.575	20,913
Byrne Formula Program Grant	16.579	<u>57,875</u>
<b>Total U.S. Department of Justice</b>		<b>\$ 86,063</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	<b>\$ 1,086,646</b>
<b>U.S. Environmental Protection Agency</b>		
Passed Through Minnesota Pollution Control Agency Non-Point Source Implementation Grant	66.460	<b>\$ 35,103</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Education Child Care Mandatory and Matching Funds	93.596	\$ 13,721
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	58,829
Maternal and Child Health Services Block Grant	93.994	48,182

**CHISAGO COUNTY  
CENTER CITY, MINNESOTA**

***Schedule 17  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services		
Temporary Assistance for Needy Families	93.558	473,446
Child Care and Development Block Grant	93.575	11,213
Child Welfare Services - State Grants	93.645	4,128
Foster Care Title IV-E	93.658	312,231
Social Services Block Grant Title XX	93.667	220,082
Chafee Foster Care Independent Living	93.674	20,837
Community Mental Health Services Block Grant	93.958	16,510
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 1,179,179</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Program	97.004	\$ 307,831
Homeland Security Grant Program	97.067	17,047
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 324,878</b>
<b>Total Federal Awards</b>		<b>\$ 2,851,104</b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Chisago County. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. Chisago County did not pass any federal money to suprecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.