

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CHISAGO COUNTY
CENTER CITY, MINNESOTA

YEAR ENDED DECEMBER 31, 2006

Description of the Office of the State Auditor

The mission of the State Auditor's Office is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

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

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

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

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

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, 2006



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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	15
Statement of Activities	Exhibit 2	16
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	18
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	23
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	25
Budgetary Comparison Schedules		
General Fund	Schedule 1	26
Road and Bridge Special Revenue Fund	Schedule 2	29
Human Services Special Revenue Fund	Schedule 3	30
Statement of Fiduciary Net Assets - Fiduciary Funds	Exhibit 7	31
Notes to the Financial Statements		32
 Combining and Individual Fund Statements and Schedules		
Nonmajor Governmental Funds		73
Combining Balance Sheet	Statement 1	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement 2	76

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
Financial Section		
Combining and Individual Fund Statements and Schedules		
Nonmajor Governmental Funds (Continued)		
Budgetary Comparison Schedules		
County Building Special Revenue Fund	Schedule 4	78
Parks Special Revenue Fund	Schedule 5	79
Ditch Special Revenue Fund	Schedule 6	80
Lake Improvement District Special Revenue Fund	Schedule 7	81
South Sewer District Special Revenue Fund	Schedule 8	82
Nursing Home Special Revenue Fund	Schedule 9	83
Solid Waste Special Revenue Fund	Schedule 10	84
Capital Equipment 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
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 16	98
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>		108
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
2006

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	Lynn Schultz	January 2005	January 2009
2nd District	Rick Olseen	January 2003	January 2007
3rd District	Robert Gustafson	January 2005	January 2009
4th District	Ben Montzka	January 2003	January 2007
5th District	Mike Robinson ¹	January 2005	January 2009
Officers			
Elected			
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
Appointed			
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		Indefinite
Health and Human Services Director	Mary Sheehan		Indefinite

¹Chair 2006 and 2007

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
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, 2006, 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, 2006, and the respective changes in financial position thereof and the respective budgetary comparison schedules for the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 January 11, 2008, 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/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

January 11, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CHISAGO COUNTY
CHISAGO CITY, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006
(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, 2006. 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 \$91.8 million at the close of 2006. Of this amount, \$4,367,586 (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 \$6,068,674. This is attributable primarily to road construction and maintenance projects being capitalized and additional grant programs.
- At the close of 2006, Chisago County's governmental funds reported combined ending fund balances of \$28,549,192, an increase of \$4,609,370 from the previous year-end balance. At the end of the year, Chisago County's unreserved fund balance totaled \$21,766,778, which is available for spending at the County Board's discretion.
- At the close of 2006, unreserved fund balance for the General Fund was \$6,929,308, or 36.1 percent, of total General Fund expenditures.
- Chisago County's bonds and notes payable increased by \$13,173,632, or 62.5 percent, during 2006. The key factor in the increase was the issuance of \$14,500,000 in General Obligation Capital Improvement Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The statement of net 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 (such as uncollected taxes and earned but unused vacation leave).

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

Fund Level Financial Statements

A fund is a grouping of related accounts 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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Debt Service Fund, and the County Capital Projects 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 supplementary information 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 \$91,788,861 at the close of 2006. 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 that is still outstanding. However, it should be noted that these assets are not available for future spending.

Governmental Net Assets

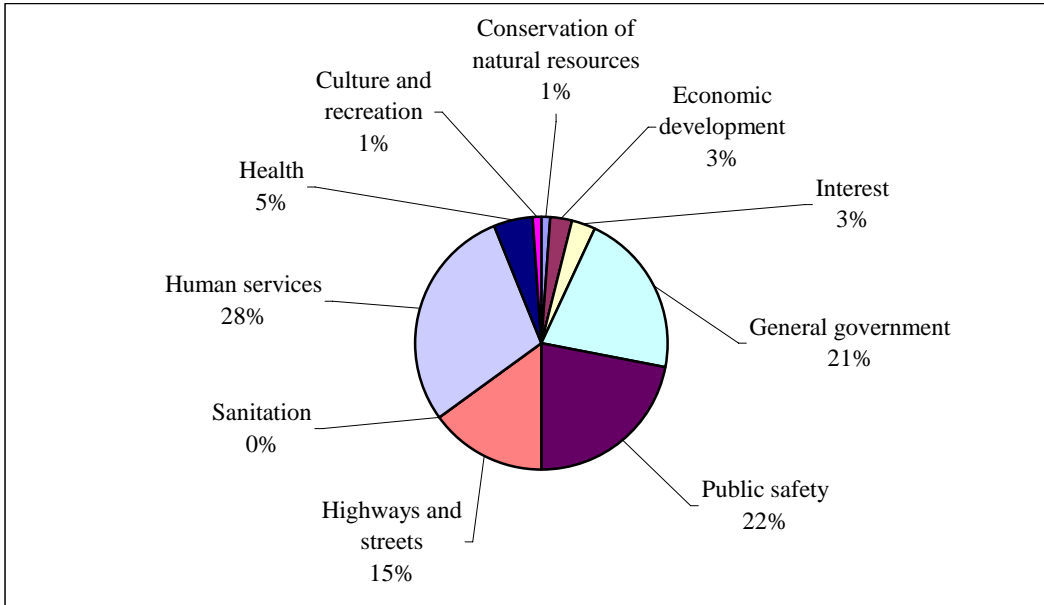
	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 33,869,942	\$ 29,055,248
Capital assets	<u>105,954,951</u>	<u>92,855,852</u>
Total Assets	<u>\$ 139,824,893</u>	<u>\$ 121,911,100</u>
Long-term liabilities outstanding	\$ 44,932,488	\$ 32,152,915
Other liabilities	<u>3,103,544</u>	<u>4,037,998</u>
Total Liabilities	<u>\$ 48,036,032</u>	<u>\$ 36,190,913</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 80,638,861	\$ 72,572,189
Restricted	6,782,414	2,732,264
Unrestricted	<u>4,367,586</u>	<u>10,415,734</u>
Total Net Assets	<u><u>\$ 91,788,861</u></u>	<u><u>\$ 85,720,187</u></u>

The unrestricted net asset amount of \$4,367,586 as of December 31, 2006, may be used to meet the County's ongoing obligations to citizens and creditors. Chisago County's activities increased net assets by \$6,068,674, or 7.08 percent, over the 2005 net assets. The key element of the increase was due to an increase in property tax revenue and an increase in fees, charges, fines, and other revenue. Expenses saw a significant decline in culture and recreation, while significant increases occurred in general government, public safety, highways and streets, and human services.

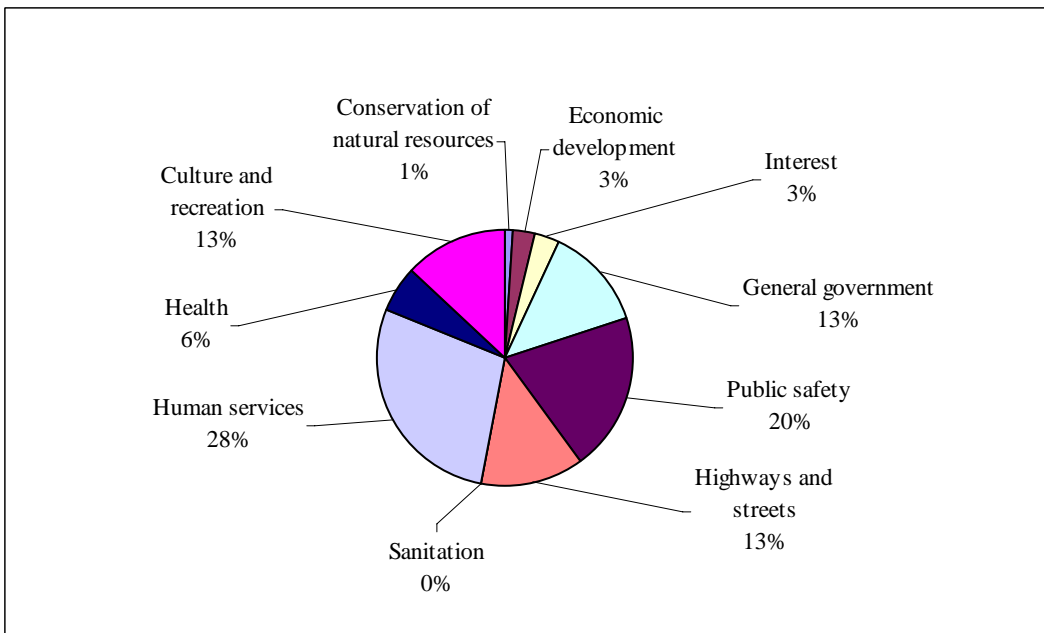
Changes in Net Assets

	2006	2005
Revenues		
Program revenues		
Charges for services	\$ 7,634,947	\$ 6,223,659
Operating grants and contributions	12,735,039	10,129,585
Capital grants and contributions	2,067,228	4,428,379
General revenues		
Property taxes	23,485,715	21,519,837
Other	5,799,580	4,832,625
Total Revenues	\$ 51,722,509	\$ 47,134,085
Expenses		
General government	\$ 9,425,901	\$ 5,156,497
Public safety	9,870,211	7,626,890
Highways and streets	7,012,530	4,901,118
Sanitation	80,520	70,095
Human services	13,198,134	11,048,988
Health	2,252,484	2,145,158
Culture and recreation	429,249	5,031,182
Conservation of natural resources	579,089	509,716
Economic development	1,215,035	1,041,646
Interest	1,590,682	1,148,606
Total Expenses	\$ 45,653,835	\$ 38,679,896
Increase in net assets	\$ 6,068,674	\$ 8,454,189
Net Assets, January 1	85,720,187	77,265,998
Net Assets, December 31	\$ 91,788,861	\$ 85,720,187

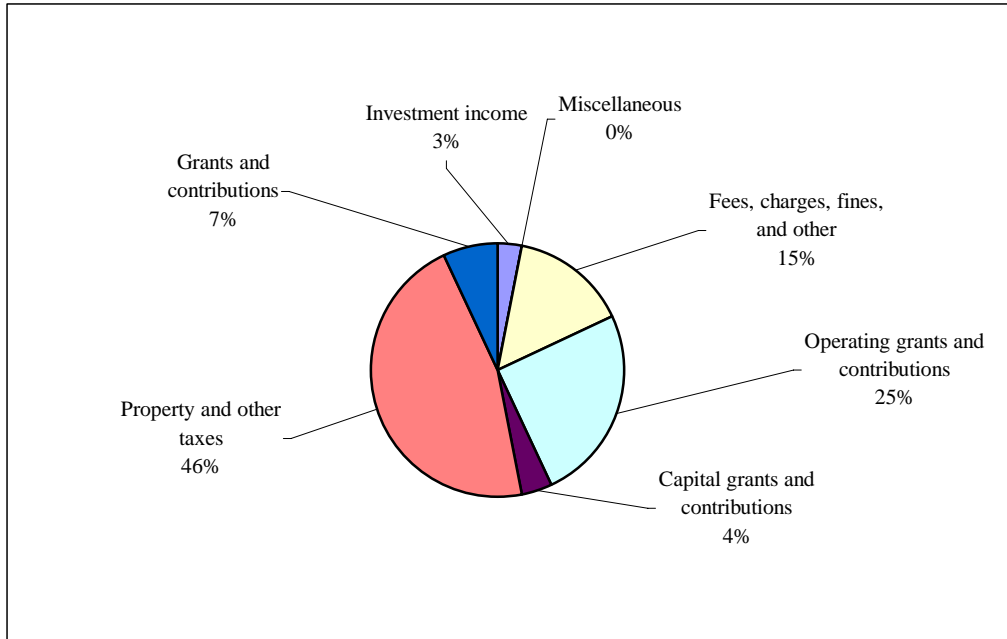
Expenses by Function - 2006



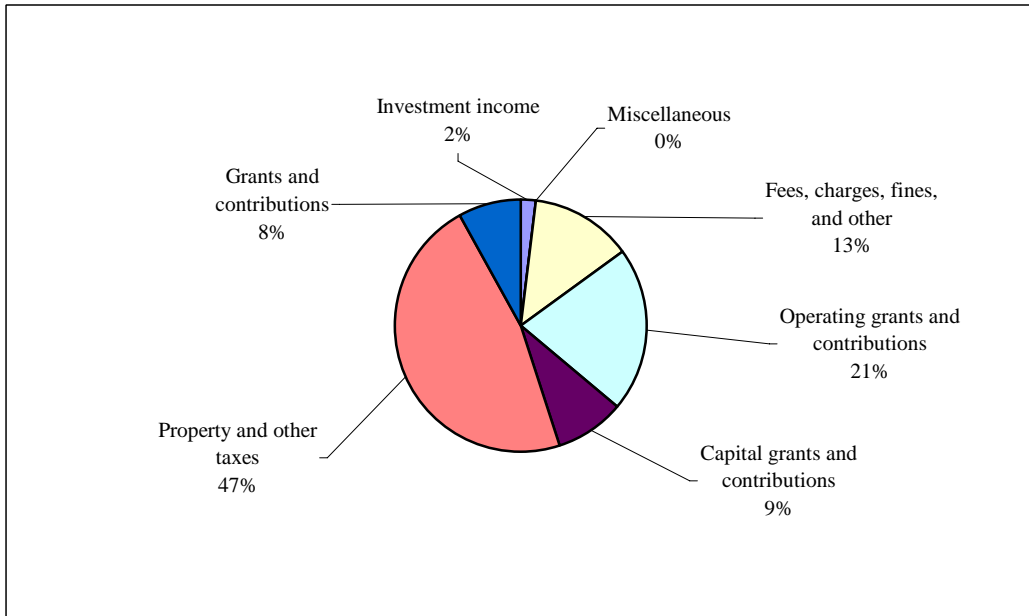
Expenses by Function - 2005



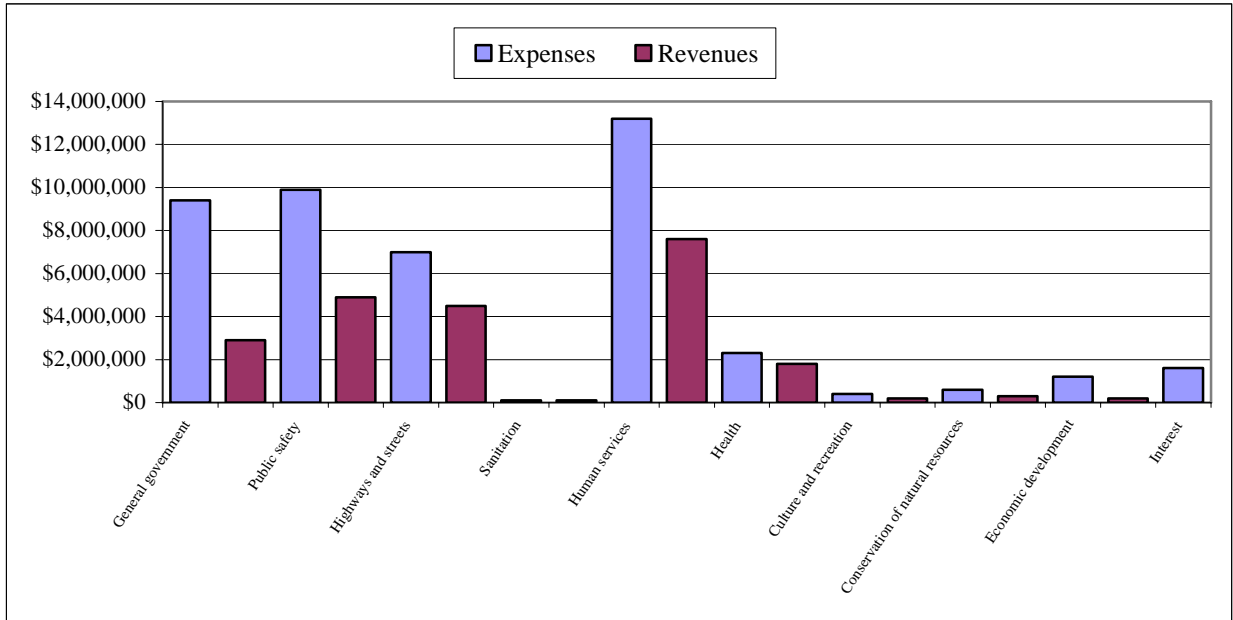
Revenues by Source - 2006



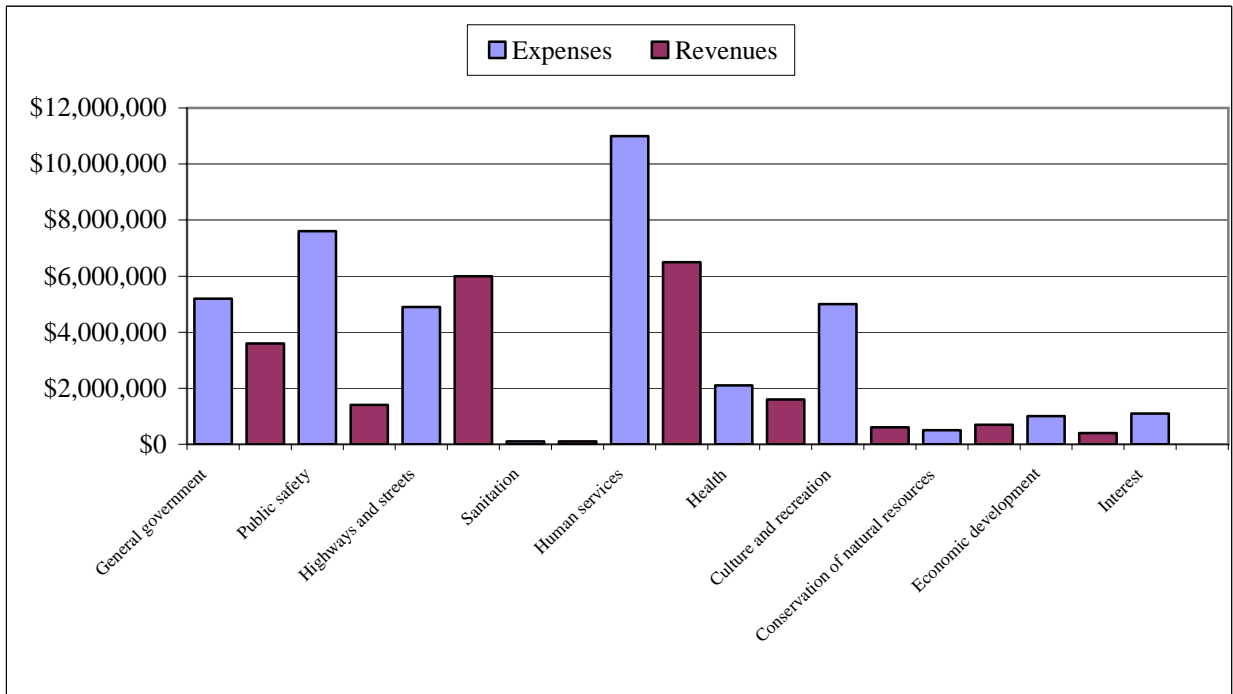
Revenues by Source - 2005



Expenses and Program Revenues - 2006



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 \$28,549,192, an increase of \$4,609,370 in comparison with the prior year. Unreserved fund balance of \$21,766,778 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 \$6,929,308. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 36.14 percent of total General Fund expenditures. In 2006, ending fund balance in the General Fund increased by \$1,661,119. The primary reason for this increase was higher than expected revenues in the areas of intergovernmental revenue and investment earnings.

The Road and Bridge Special Revenue Fund's fund balance decreased \$1,878,242 in 2006. Expenditures were less than the amount budgeted by \$1,997,014. However, revenues were also \$3,571,947 less than the budget amount, accounting for the fund balance decrease.

The Human Services Special Revenue Fund's fund balance decreased \$285,913 from the prior year due to expenditures exceeding revenues in 2006.

General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended budget were relatively minor. Actual revenues exceeded budgeted revenues by \$2,614,243. The largest variances were attributed to intergovernmental revenue and investment earnings. Actual expenditures were less than budgeted expenditures by \$50,046.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2006, totaled \$105,954,951 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$13,099,099, or 14.1 percent, from the previous year. The major events affecting this increase were: (1) additions to building for County libraries totaling \$5,130,774, and (2) capitalization of County infrastructure (primarily for County state-aid highway roads) totaling \$8,977,254.

Governmental Capital Assets (Net of Depreciation)

	<u>2006</u>	<u>2005</u>
Land	\$ 1,392,022	\$ 1,324,672
Construction in progress	6,900,163	8,579,936
Building	14,771,067	9,640,293
Machinery, vehicles, furniture, and equipment	4,212,158	3,608,664
Infrastructure	<u>78,679,541</u>	<u>69,702,287</u>
Total	<u>\$ 105,954,951</u>	<u>\$ 92,855,852</u>

Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$33,841,660, 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 \$352,800 outstanding debt of the East Central Solid Waste Commission, as described in the notes to the financial statements.

Outstanding Debt

	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ 32,230,000	\$ 18,620,000
General obligation capital notes	<u>1,611,660</u>	<u>1,667,491</u>
Total Long-term Debt	<u>\$ 33,841,660</u>	<u>\$ 20,287,491</u>

The County's debt related to general obligation bonds and notes increased by \$13,554,169 (66.8 percent) during the fiscal year. The increase was due to the issuance of the bonds for financing County road construction projects and an office building in the City of North Branch.

Minnesota statutes limit the amount of debt a county may levy to two percent of its total market value. At the end of 2006, 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 5.4 percent at the end of 2006. The statewide rate was 4.2 percent. The national rate was 4.3 percent. These rates have not been seasonally adjusted.
- A rise in mortgage interest rates and higher gas prices may affect future residential growth in the County.
- At the end of 2006, Chisago County approved its 2007 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.

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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, 2006**

	Primary Government Governmental Activities	Discretely Presented Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 26,813,224	\$ 2,167,633
Receivables - net	6,009,033	1,140,975
Inventories	566,325	-
Prepaid items	122,272	-
Advances to other agencies	176,731	-
Advance to other governments	-	59,381
Deferred charges	182,357	130,964
Land held for resale	-	2,734,259
Capital lease receivable	-	6,699,982
Capital assets		
Non-depreciable capital assets	8,292,185	243,181
Depreciable capital assets - net of accumulated depreciation	97,662,766	5,319,644
Total Assets	\$ 139,824,893	\$ 18,496,019
<u>Liabilities</u>		
Accounts payable and other current liabilities	\$ 2,089,016	\$ 37,142
Accrued interest payable	720,151	187,414
Due to other governments	228,977	12,515
Security deposits	-	38,257
Unearned revenue	65,400	-
Long-term liabilities		
Due within one year	3,698,845	1,088,873
Due in more than one year	41,233,643	14,488,279
Total Liabilities	\$ 48,036,032	\$ 15,852,480
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 80,638,861	\$ 1,419,464
Restricted for		
General government	1,688,227	-
Highways and streets	902,338	-
Human services	176,731	-
Capital projects	849,519	-
Debt service	3,165,599	-
Unrestricted	4,367,586	1,224,075
Total Net Assets	\$ 91,788,861	\$ 2,643,539

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

Page 15

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 9,425,901	\$ 2,575,721
Public safety	9,870,211	968,128
Highways and streets	7,012,530	104,519
Sanitation	80,520	135,404
Human services	13,198,134	2,579,305
Health	2,252,484	859,039
Culture and recreation	429,249	222,736
Conservation of natural resources	579,089	1,352
Economic development	1,215,035	188,743
Interest	1,590,682	-
Total Primary Government	\$ 45,653,835	\$ 7,634,947
 Component Unit		
Housing and Redevelopment Authority	\$ 1,257,099	\$ 943,458
 General Revenues		
Property taxes		
Gravel taxes		
Mortgage registry and deed tax		
Payments in lieu of tax		
Grants and contributions not restricted to specific programs		
Investment income		
Gain on disposal of capital assets		
Total general revenues		
 Change in net assets		
Net Assets - Beginning		
Net Assets - Ending		

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Discretely Presented Component Unit
\$ 347,688	\$ -	\$ (6,502,492)	
3,898,528	-	(5,003,555)	
2,281,693	2,067,228	(2,559,090)	
-	-	54,884	
5,004,898	-	(5,613,931)	
904,333	-	(489,112)	
-	-	(206,513)	
297,899	-	(279,838)	
-	-	(1,026,292)	
-	-	(1,590,682)	
\$ 12,735,039	\$ 2,067,228	\$ (23,216,621)	
\$ 498,731	\$ -		\$ 185,090
		\$ 23,485,715	\$ 583,082
		55,358	-
		85,597	-
		585,714	-
		3,483,226	-
		1,532,803	95,513
		56,882	-
		\$ 29,285,295	\$ 678,595
		\$ 6,068,674	\$ 863,685
		85,720,187	1,779,854
		\$ 91,788,861	\$ 2,643,539

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 7,379,354	\$ 3,762,834
Petty cash and change funds	1,300	-
Undistributed cash in the agency funds	168,174	54,677
Departmental cash	9,729	-
Taxes receivable		
Prior	435,317	171,465
Special assessments receivable		
Prior	-	-
Noncurrent	-	-
Accounts receivable	209,489	3,614
Accrued interest receivable	287,983	-
Notes receivable	1,000,000	-
Due from other funds	8,041	-
Due from other governments	102,089	2,651,718
Inventories	-	566,325
Advances to other agencies	-	-
Prepaid items	122,272	-
	\$ 9,723,748	\$ 7,210,633
Total Assets	\$ 9,723,748	\$ 7,210,633

EXHIBIT 3

Human Services	Debt Service	County Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,068,328	\$ 2,084,928	\$ 5,476,780	\$ 5,689,728	\$ 26,461,952
-	-	-	-	1,300
63,463	16,198	-	37,731	340,243
-	-	-	-	9,729
202,369	51,855	-	94,589	955,595
-	-	-	37,294	37,294
-	49,475	-	15,925	65,400
188,426	-	-	203,494	605,023
-	-	-	-	287,983
-	-	-	-	1,000,000
-	1,139,864	-	-	1,147,905
303,931	-	-	-	3,057,738
-	-	-	-	566,325
176,731	-	-	-	176,731
-	-	-	-	122,272
\$ 3,003,248	\$ 3,342,320	\$ 5,476,780	\$ 6,078,761	\$ 34,835,490

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 229,763	\$ 135,755
Salaries payable	399,165	72,923
Contracts payable	-	439,805
Due to other funds	-	-
Due to other governments	183,249	10,048
Deferred revenue - unavailable	294,036	2,166,631
Deferred revenue - unearned	-	-
	\$ 1,106,213	\$ 2,825,162
Fund Balances		
Reserved for		
Prepaid items	\$ 122,272	\$ -
Recorder's equipment	272,416	-
Inventories	-	566,325
Encumbrances	-	332,113
Debt service	-	-
Advance to other agency	-	-
Notes receivable	1,000,000	-
Land records technology	293,539	-
Driveway deposits	-	3,900
Unreserved, designated for		
Future expenditures	1,119,683	1,407,887
Cash flows	5,500,000	2,000,000
Medical insurance	64,800	-
Undesignated	244,825	75,246
Unreserved, reported in special revenue funds	-	-
Unreserved, reported in capital projects fund	-	-
	\$ 8,617,535	\$ 4,385,471
Total Liabilities and Fund Balances	\$ 9,723,748	\$ 7,210,633

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Debt Service</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 256,493	\$ -	\$ -	\$ 117,111	\$ 739,122
226,566	-	-	3,403	702,057
-	-	208,032	-	647,837
8,041	-	1,139,864	-	1,147,905
34,836	-	-	844	228,977
149,054	38,246	-	107,033	2,755,000
-	49,475	-	15,925	65,400
<u>\$ 674,990</u>	<u>\$ 87,721</u>	<u>\$ 1,347,896</u>	<u>\$ 244,316</u>	<u>\$ 6,286,298</u>
\$ -	\$ -	\$ -	\$ -	\$ 122,272
-	-	-	-	272,416
-	-	-	-	566,325
-	-	849,519	-	1,181,632
-	3,165,599	-	-	3,165,599
176,731	-	-	-	176,731
-	-	-	-	1,000,000
-	-	-	-	293,539
-	-	-	-	3,900
-	-	3,279,365	-	5,806,935
2,151,527	-	-	-	9,651,527
-	-	-	-	64,800
-	89,000	-	-	409,071
-	-	-	5,813,893	5,813,893
-	-	-	20,552	20,552
<u>\$ 2,328,258</u>	<u>\$ 3,254,599</u>	<u>\$ 4,128,884</u>	<u>\$ 5,834,445</u>	<u>\$ 28,549,192</u>
<u>\$ 3,003,248</u>	<u>\$ 3,342,320</u>	<u>\$ 5,476,780</u>	<u>\$ 6,078,761</u>	<u>\$ 34,835,490</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, 2006**

Fund balance - total governmental funds		\$ 28,549,192
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		105,954,951
<p>Deferred revenue is earned and must be recorded as revenue when it is earned regardless of availability.</p>		2,755,000
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
<p>General obligation bonds</p>	\$ (32,283,358)	
<p>Revenue bonds</p>	(352,800)	
<p>Capital notes payable</p>	(1,611,660)	
<p>Capital leases payable</p>	(7,813,174)	
<p>Compensated absences</p>	(2,871,496)	
<p>Accrued interest payable</p>	(720,151)	
<p>Deferred debt issuance charges</p>	182,357	
	(45,470,282)	(45,470,282)
Net Assets of Governmental Activities		\$ 91,788,861

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Road and Bridge
Revenues		
Taxes	\$ 10,632,382	\$ 4,334,221
Special assessments	-	-
Licenses and permits	588,969	28,500
Intergovernmental	5,109,131	5,509,456
Charges for services	2,621,428	156,921
Fines and forfeits	239,272	-
Gifts and contributions	16,445	-
Investment earnings	1,532,803	-
Miscellaneous	103,501	-
	\$ 20,843,931	\$ 10,029,098
Expenditures		
Current		
General government	\$ 8,250,908	\$ 130,471
Public safety	8,971,613	-
Highways and streets	-	13,291,120
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	326,585	-
Conservation of natural resources	467,562	-
Economic development	665,140	-
Intergovernmental	493,641	-
Capital outlay	-	-
Debt service		
Principal	-	-
Interest and fiscal charges	-	-
	\$ 19,175,449	\$ 13,421,591
Excess of Revenues Over (Under) Expenditures	\$ 1,668,482	\$ (3,392,493)
Other Financing Sources (Uses)		
Transfers in	\$ 23,000	\$ 2,745,169
Transfers out	(30,363)	(1,360,540)
Proceeds from the sale of bonds	-	-
Premium (discount) on bonds and notes issued	-	-
	\$ (7,363)	\$ 1,384,629
Net Change in Fund Balances	\$ 1,661,119	\$ (2,007,864)
Fund Balances - January 1	6,956,416	6,263,713
Increase (decrease) in reserved for inventories	-	129,622
Fund Balances - December 31	\$ 8,617,535	\$ 4,385,471

EXHIBIT 5

Human Services	Debt Service	County Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 4,935,072	\$ 1,251,361	\$ -	\$ 2,352,236	\$ 23,505,272
-	-	-	497,180	497,180
-	-	-	9,968	627,437
6,040,347	98,048	-	711,990	17,468,972
3,155,185	-	-	251,673	6,185,207
-	-	-	-	239,272
15,000	-	-	3,000	34,445
-	-	-	-	1,532,803
283,159	-	-	158,754	545,414
\$ 14,428,763	\$ 1,349,409	\$ -	\$ 3,984,801	\$ 50,636,002
\$ -	\$ -	\$ -	\$ 170	\$ 8,381,549
-	-	-	-	8,971,613
-	-	-	-	13,291,120
-	-	-	511,701	511,701
12,499,488	-	-	-	12,499,488
2,227,734	-	-	-	2,227,734
-	-	-	79,496	406,081
-	-	-	110,215	577,777
-	-	-	-	665,140
-	-	-	-	493,641
-	-	6,486,995	3,144,593	9,631,588
-	1,680,831	-	120,000	1,800,831
-	1,178,067	56,581	20,836	1,255,484
\$ 14,727,222	\$ 2,858,898	\$ 6,543,576	\$ 3,987,011	\$ 60,713,747
\$ (298,459)	\$ (1,509,489)	\$ (6,543,576)	\$ (2,210)	\$ (10,077,745)
\$ 12,546	\$ 1,637,478	\$ -	\$ 17,817	\$ 4,436,010
-	-	(2,745,169)	(299,938)	(4,436,010)
-	1,139,864	13,360,136	-	14,500,000
-	-	57,493	-	57,493
\$ 12,546	\$ 2,777,342	\$ 10,672,460	\$ (282,121)	\$ 14,557,493
\$ (285,913)	\$ 1,267,853	\$ 4,128,884	\$ (284,331)	\$ 4,479,748
2,614,171	1,986,746	-	6,118,776	23,939,822
-	-	-	-	129,622
\$ 2,328,258	\$ 3,254,599	\$ 4,128,884	\$ 5,834,445	\$ 28,549,192

**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, 2006**

Net change in fund balance - total governmental funds **\$ 4,479,748**

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	\$ 2,755,000	
Deferred revenue - January 1	(1,281,594)	1,473,406

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	\$ 16,659,327	
Net book value of disposed assets	(361,124)	
Current year depreciation	(3,199,104)	13,099,099

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)	\$ (14,886,898)	
Less: discounts and issuance costs	(912)	(14,887,810)

Principal repayments		
Reported as debt service expenditures (bonds and notes)	\$ 1,800,831	
Reported as sanitation expenditures (revenue bonds)	439,600	
Reported as highways and streets expenditures (notes)	55,831	
Reported as general government expenditures (capital lease)	58,770	2,355,032

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	\$ (375,846)	
Amortization of deferred issuance charges	(15,933)	
Change in compensated absences	(188,644)	
Change in inventories	129,622	(450,801)

Change in Net Assets of Governmental Activities **\$ 6,068,674**

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 11,340,923	\$ 11,340,923	\$ 10,632,382	\$ (708,541)
Licenses and permits	827,150	827,150	588,969	(238,181)
Intergovernmental	3,212,517	3,212,517	5,109,131	1,896,614
Charges for services	2,249,088	2,249,088	2,621,428	372,340
Fines and forfeits	150,000	150,000	239,272	89,272
Gifts and contributions	-	-	16,445	16,445
Investment earnings	450,000	450,000	1,532,803	1,082,803
Miscellaneous	-	-	103,501	103,501
Total Revenues	\$ 18,229,678	\$ 18,229,678	\$ 20,843,931	\$ 2,614,253
Expenditures				
Current				
General government				
Commissioners	\$ 260,906	\$ 260,906	\$ 244,265	\$ 16,641
Court administrator	-	-	4,093	(4,093)
Courts	292,912	292,912	197,214	95,698
Court services	-	-	795	(795)
Law library	80,691	80,691	52,975	27,716
County administrator	504,177	504,177	490,051	14,126
County auditor	289,601	289,601	305,432	(15,831)
County treasurer	232,358	232,358	223,351	9,007
County assessor	670,837	670,837	678,168	(7,331)
Elections	51,325	51,325	80,190	(28,865)
Data processing	2,047,438	2,047,438	1,930,489	116,949
Central services	195,000	195,000	226,153	(31,153)
Attorney	1,028,456	1,028,456	1,036,331	(7,875)
Recorder	559,562	559,562	342,886	216,676
Planning and zoning	957,970	957,970	658,124	299,846
Maintenance	359,663	359,663	332,438	27,225
Switchboard	40,008	40,008	39,550	458
Veterans service officer	70,452	70,452	66,760	3,692
Other general government	1,900,390	1,900,390	1,341,643	558,747
Total general government	\$ 9,541,746	\$ 9,541,746	\$ 8,250,908	\$ 1,290,838

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**Schedule 1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 3,280,596	\$ 3,280,596	\$ 3,378,891	\$ (98,295)
Sheriff's contingent	15,727	15,727	18,510	(2,783)
Boat and water safety	33,665	33,665	28,292	5,373
Coroner	82,000	82,000	82,000	-
Enhanced 911 system	60,000	60,000	-	60,000
County jail	3,537,000	3,537,000	3,608,057	(71,057)
Caseload reduction	81,799	81,799	64,051	17,748
Jail canteen fund	15,034	15,034	28,420	(13,386)
Victim assistance	-	-	17,204	(17,204)
Probation and parole	573,544	573,544	571,369	2,175
Sentenced to serve	50,842	50,842	50,842	-
Electronic monitoring	20,006	20,006	25,307	(5,301)
Juvenile substance abuse court	675	675	110,284	(109,609)
Civil defense	-	-	190	(190)
Emergency management	49,715	49,715	610,827	(561,112)
Other public safety	103,238	103,238	377,369	(274,131)
Total public safety	\$ 7,903,841	\$ 7,903,841	\$ 8,971,613	\$ (1,067,772)
Culture and recreation				
Historical society	\$ 38,150	\$ 38,150	\$ 38,150	\$ -
Parks	226,906	226,906	222,804	4,102
Senior citizens	39,000	39,000	39,000	-
Other	14,600	14,600	26,631	(12,031)
Total culture and recreation	\$ 318,656	\$ 318,656	\$ 326,585	\$ (7,929)
Conservation of natural resources				
Cooperative extension	\$ 175,000	\$ 175,000	\$ 161,628	\$ 13,372
Soil and water conservation	60,000	60,000	65,000	(5,000)
Agriculture inspections	9,812	9,812	8,606	1,206
Agricultural society/County fair	22,000	22,000	22,000	-
Oak wilt program	5,000	5,000	-	5,000
Water planning	140,130	140,130	78,944	61,186
Wetland challenge	72,263	72,263	75,978	(3,715)
Other	45,647	45,647	55,406	(9,759)
Total conservation of natural resources	\$ 529,852	\$ 529,852	\$ 467,562	\$ 62,290

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Community development	\$ 70,000	\$ 70,000	\$ 66,653	\$ 3,347
Other	378,547	378,547	598,487	(219,940)
Total economic development	<u>\$ 448,547</u>	<u>\$ 448,547</u>	<u>\$ 665,140</u>	<u>\$ (216,593)</u>
Intergovernmental				
Library	\$ 482,853	\$ 482,853	\$ 493,641	\$ (10,788)
Total Expenditures	<u>\$ 19,225,495</u>	<u>\$ 19,225,495</u>	<u>\$ 19,175,449</u>	<u>\$ 50,046</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ (995,817)</u>	<u>\$ (995,817)</u>	<u>\$ 1,668,482</u>	<u>\$ 2,664,299</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 23,000	\$ 23,000
Transfers out	-	-	(30,363)	(30,363)
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,363)</u>	<u>\$ (7,363)</u>
Net Change in Fund Balance	\$ (995,817)	\$ (995,817)	\$ 1,661,119	\$ 2,656,936
Fund Balance - January 1	<u>6,956,416</u>	<u>6,956,416</u>	<u>6,956,416</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 5,960,599</u>	<u>\$ 5,960,599</u>	<u>\$ 8,617,535</u>	<u>\$ 2,656,936</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,600,671	\$ 4,600,671	\$ 4,334,221	\$ (266,450)
Licenses and permits	-	-	28,500	28,500
Intergovernmental	8,878,374	8,878,374	5,509,456	(3,368,918)
Charges for services	122,000	122,000	156,921	34,921
Total Revenues	\$ 13,601,045	\$ 13,601,045	\$ 10,029,098	\$ (3,571,947)
Expenditures				
Current				
General government				
Surveyor	\$ 153,834	\$ 153,834	\$ 130,471	\$ 23,363
Highways and streets				
Administration	\$ 899,477	\$ 899,477	\$ 1,102,104	\$ (202,627)
Engineering	1,691,492	1,691,492	711,716	979,776
Maintenance	3,078,229	3,078,229	2,680,245	397,984
Construction	8,870,825	8,870,825	7,822,850	1,047,975
Equipment, maintenance, and shop	724,748	724,748	974,205	(249,457)
Total highways and streets	\$ 15,264,771	\$ 15,264,771	\$ 13,291,120	\$ 1,973,651
Total Expenditures	\$ 15,418,605	\$ 15,418,605	\$ 13,421,591	\$ 1,997,014
Excess of Revenues Over (Under) Expenditures	\$ (1,817,560)	\$ (1,817,560)	\$ (3,392,493)	\$ (1,574,933)
Other Financing Sources (Uses)				
Transfers in	\$ 3,025,000	\$ 3,025,000	\$ 2,745,169	\$ (279,831)
Transfers out	(1,207,440)	(1,207,440)	(1,360,540)	(153,100)
Total Other Financing Sources (Uses)	\$ 1,817,560	\$ 1,817,560	\$ 1,384,629	\$ (432,931)
Net Change in Fund Balance	\$ -	\$ -	\$ (2,007,864)	\$ (2,007,864)
Fund Balance - January 1	6,263,713	6,263,713	6,263,713	-
Increase (decrease) in reserved for inventories	-	-	129,622	129,622
Fund Balance - December 31	\$ 6,263,713	\$ 6,263,713	\$ 4,385,471	\$ (1,878,242)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,299,257	\$ 5,299,257	\$ 4,935,072	\$ (364,185)
Intergovernmental	6,501,983	6,501,983	6,040,347	(461,636)
Charges for services	994,744	994,744	3,155,185	2,160,441
Gifts and contributions	-	-	15,000	15,000
Miscellaneous	214,515	214,515	283,159	68,644
Total Revenues	\$ 13,010,499	\$ 13,010,499	\$ 14,428,763	\$ 1,418,264
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,613,415	\$ 2,613,415	\$ 2,775,075	\$ (161,660)
Social services	7,864,241	7,864,241	9,724,413	(1,860,172)
Total human services	\$ 10,477,656	\$ 10,477,656	\$ 12,499,488	\$ (2,021,832)
Health				
Nursing service	\$ 2,328,796	\$ 2,328,796	\$ 2,009,498	\$ 319,298
Maternal and child health	230,307	230,307	218,236	12,071
Total health	\$ 2,559,103	\$ 2,559,103	\$ 2,227,734	\$ 331,369
Total Expenditures	\$ 13,036,759	\$ 13,036,759	\$ 14,727,222	\$ (1,690,463)
Excess of Revenues Over (Under) Expenditures	\$ (26,260)	\$ (26,260)	\$ (298,459)	\$ (272,199)
Other Financing Sources (Uses)				
Transfers in	-	-	12,546	12,546
Net Change in Fund Balance	\$ (26,260)	\$ (26,260)	\$ (285,913)	\$ (259,653)
Fund Balance - January 1	2,614,171	2,614,171	2,614,171	-
Fund Balance - December 31	\$ 2,587,911	\$ 2,587,911	\$ 2,328,258	\$ (259,653)

CHISAGO COUNTY
CENTER CITY, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	\$ <u><u>1,185,923</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 2,621
Deferred benefits	46,260
Due to other governments	<u>1,137,042</u>
Total Liabilities	\$ <u><u>1,185,923</u></u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006. 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**

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**

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 County Capital Projects Fund is used to account for the construction of the Human Service Building and road projects that were funded by the issuance of capital improvement bonds.
- The Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on the debt issued by the County for construction of various County buildings and roads.

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Chisago County considers all revenues as available if collected within 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, 2006, 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 2006 were \$1,532,803.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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 (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7).

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**

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**

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**

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**

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**

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 \$96,623 as of December 31, 2006, 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	\$ 97,110
3 ditches with deficit balances	<u>(487)</u>
Net Fund Balance	<u>\$ 96,623</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

C. Excess of Expenditures Over Budget

The special revenue funds shown below had expenditures in excess of budget for the year ended December 31, 2006.

	Expenditures	Budget	Excess
Human Services	\$ 14,727,222	\$ 13,036,759	\$ 1,690,463
County Building	179,413	80,000	99,413
Ditch	27,142	9,500	17,642

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 26,813,224
Statement of fiduciary net assets	
Cash and pooled investments	1,185,923
Total Cash and Investments	\$ 27,999,147
Deposits	\$ 1,441,260
Petty cash and change funds	1,300
Investments	26,556,587
Total Deposits, Cash on Hand, and Investments	\$ 27,999,147

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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 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 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, 2006, the County was not exposed to custodial credit risk.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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.

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2006, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
U.S. agency securities	\$ 12,342,495	\$ 2,726,820	\$ 8,327,271	\$ 1,288,404
MAGIC Fund	11,150,184	11,150,184	-	-
Negotiable certificates of deposit	573,208	99,944	282,253	191,011
Commercial paper	2,490,700	2,490,700	-	-
Total Investments	\$ 26,556,587	\$ 16,467,648	\$ 8,609,524	\$ 1,479,415

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, 2006, is as follows:

	S & P Rating	Fair Value
U.S. government agency securities	AAA	\$ 12,342,495
MAGIC Fund	N/R	11,150,184
Negotiable certificates of deposit	N/A	573,208
Commercial paper	A-1+	2,490,700
Total		\$ 26,556,587

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Reported Amount</u>
Federal Home Loan Bank	\$ 12,142,495
MAGIC Fund	11,150,184

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. All securities purchased by the County are held in safekeeping by a third party designated institution as agent for the County. As of December 31, 2006, the County's investments were not exposed to custodial credit risk.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2006, 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	\$ 955,595	\$ -
Special assessments	102,694	65,400
Due from other governments	3,057,738	-
Accounts	605,023	-
Interest	287,983	-
Notes	1,000,000	1,000,000
Total Governmental Activities	\$ 6,009,033	\$ 1,065,400

3. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,324,672	\$ 67,350	\$ -	\$ 1,392,022
Construction in progress	8,579,936	6,900,163	8,579,936	6,900,163
Total capital assets not depreciated	\$ 9,904,608	\$ 6,967,513	\$ 8,579,936	\$ 8,292,185
Capital assets depreciated				
Buildings	\$ 16,205,887	\$ 5,923,671	\$ 1,910,340	\$ 20,219,218
Machinery, furniture, and equipment	10,098,575	1,724,504	1,267,387	10,555,692
Infrastructure	79,723,517	10,623,575	-	90,347,092
Total capital assets depreciated	\$ 106,027,979	\$ 18,271,750	\$ 3,177,727	\$ 121,122,002

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 6,565,594	\$ 504,341	\$ 1,621,784	\$ 5,448,151
Machinery, furniture, and equipment	6,489,911	1,048,442	1,194,819	6,343,534
Infrastructure	<u>10,021,230</u>	<u>1,646,321</u>	<u>-</u>	<u>11,667,551</u>
Total accumulated depreciation	<u>\$ 23,076,735</u>	<u>\$ 3,199,104</u>	<u>\$ 2,816,603</u>	<u>\$ 23,459,236</u>
Total capital assets depreciated, net	<u>\$ 82,951,244</u>	<u>\$ 15,072,646</u>	<u>\$ 361,124</u>	<u>\$ 97,662,766</u>
Capital Assets, Net	<u>\$ 92,855,852</u>	<u>\$ 22,040,159</u>	<u>\$ 8,941,060</u>	<u>\$ 105,954,951</u>

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

Governmental Activities	
General government	\$ 819,405
Public safety	274,928
Highways and streets, including depreciation of infrastructure assets	2,045,788
Health	3,932
Sanitation	6,862
Culture and recreation	<u>48,189</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,199,104</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Human Services	\$ 8,041
Debt Service	County Capital Projects	<u>1,139,864</u>
Total		<u>\$ 1,147,905</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, consisted of the following:

Transfers to General Fund from other governmental funds	\$ 23,000	Solid waste fees
Transfers to Road and Bridge Fund from County Capital Projects Fund	2,745,169	Transfer activities to designated fund
Transfer to Human Services Fund from General Fund	12,546	Transfer activities to designated fund
Transfers to Debt Service Fund from Road and Bridge Fund	1,360,540	Provide funds for repayment of debt
Transfer to Debt Service Fund from other governmental funds	276,938	Provide funds for repayment of debt
Transfers to other governmental funds from General Fund	<u>17,817</u>	Transfer activities to designated fund
Total Interfund Transfers	<u>\$ 4,436,010</u>	

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2006, were as follows:

	Governmental Activities
Accounts	\$ 739,122
Salaries	702,057
Contracts	647,837
Total Payables	\$ 2,089,016

2. Construction Commitments

Chisago County had the following active construction projects at December 31, 2006:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and bridges	\$ 13,302,298	\$ 885,339
Human service building	309,926	944,130

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	\$ 3,774
2004 IBM AS/400 computer #2	2007	Monthly	2,194	78,984	5,944
2005 IBM AS/400 computer	2007	Monthly	3,497	125,896	33,474
Buildings and libraries	2026	Annually	Various	10,720,000	7,769,982
Total Capital Leases					<u>\$ 7,813,174</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006, were as follows:

Year Ending December 31	Governmental Activities
2007	\$ 1,113,192
2008	1,120,000
2009	1,100,000
2010	245,000
2011	255,000
2012 and beyond	<u>5,489,999</u>
Total minimum lease payments	\$ 9,323,191
Less: amount representing cash with escrow	<u>(1,510,017)</u>
Present Value of Minimum Lease Payments	<u>\$ 7,813,174</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, 2006, are as follows:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Balance December 31, 2006
General obligation bonds and notes					
1994 Nursing Home Revenue Bonds	2010	\$20,000 - \$45,000	4.25 - 6.40	\$ 490,000	\$ 170,000
2001 Capital Improvement Bonds	2016	\$240,000 - \$455,000	3.50 - 4.75	5,000,000	3,690,000
2002A Capital Improvement Bonds	2018	\$50,000 - \$90,000	4.40 - 4.90	1,000,000	845,000
2002C Refunding Bonds	2008	\$85,000 - \$160,000	2.10 - 4.20	560,000	170,000
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	590,000
2003 Capital Note	2008	\$55,831	3.60	279,153	111,660
2004A State-Aid Road Bonds	2014	\$365,000 - \$450,000	1.50 - 3.30	4,000,000	3,265,000
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	1,500,000	1,500,000
2006 Capital Improvement Bonds	2026	\$250,000 - \$1,975,000	4.00 - 4.75	<u>14,500,000</u>	<u>14,500,000</u>
Total General Obligation Bonds and Notes				<u>\$ 37,049,153</u>	\$ 33,841,660
Add: unamortized premium					116,438
Less: unamortized discount					<u>(63,080)</u>
Total Bonds and Notes, Net					<u>\$ 33,895,018</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, 2006, were as follows:

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2007	\$ 920,000	\$ 1,434,718	\$ 180,830	\$ 58,694
2008	1,525,000	1,256,631	205,830	42,710
2009	1,750,000	1,200,638	155,000	44,178
2010	2,490,000	1,126,564	160,000	38,507
2011	2,530,000	1,038,025	170,000	32,483
2012 - 2016	8,575,000	4,087,636	740,000	60,469
2017 - 2021	6,320,000	2,674,172	-	-
2022 - 2026	8,120,000	1,022,201	-	-
Total	\$ 32,230,000	\$ 13,840,585	\$ 1,611,660	\$ 277,041

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 18,620,000	\$ 14,500,000	\$ 890,000	\$ 32,230,000	\$ 920,000
Capital notes	1,667,491	-	55,831	1,611,660	180,831
East Central Solid Waste Commission (Note 5.C.)	792,400	-	439,600	352,800	352,800
Add: unamortized premium	64,304	57,493	5,359	116,438	-
Less: deferred amounts for issuance discounts	(70,009)	-	(6,929)	(63,080)	-
Total bonds and notes payable	\$ 21,074,186	\$ 14,557,493	\$ 1,383,861	\$ 34,247,818	\$ 1,453,631
Capital leases	8,395,877	386,898	969,601	7,813,174	1,113,192
Compensated absences	2,682,852	188,644	-	2,871,496	1,132,022
Long-Term Liabilities	\$ 32,152,915	\$ 15,133,035	\$ 2,353,462	\$ 44,932,488	\$ 3,698,845

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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**

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; 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 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members were required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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 2006 and 2007:

	2006	2007
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.00	6.25
Public Employees Police and Fire Fund	10.50	11.70
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2006, 2005, and 2004, 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
2006	\$ 748,124	\$ 235,526	\$ 88,493
2005	654,625	194,836	73,222
2004	621,347	190,596	56,383

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**

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, 2006, 2005, and 2004, were \$8,829, \$8,775, and \$8,637, 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 \$390,000 and \$400,000 per claim in 2006 and 2007, 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**

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 2006, the County collected premiums of \$270,202 from County departments. For 2006, claims and administrative costs paid were \$228,556.

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

	Year Ended December 31	
	2006	2005
Asset (liability) at January 1	\$ 23,691	\$ 18,561
Current year premiums	270,202	197,641
Claims payments	(228,556)	(192,511)
Asset (Liability) at December 31	\$ 65,337	\$ 23,691

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**

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 \$6,942,774 as of December 31, 2006.

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**

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 \$1,260,000 in long-term bonds outstanding as of December 31, 2005 (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 \$352,800.

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 \$439,600 for 2006.

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**

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, 2006, show total assets of \$523,832, total liabilities of \$249,508, and total net assets of \$274,324.

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.

E. Subsequent Event

On June 13, 2007, the County Board issued \$5,500,000 in General Obligation Temporary Jail Bonds and \$3,960,000 in General Obligation State-Aid Road Bonds.

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 generally accepted accounting principles GAAP. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

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.

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

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.

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 (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Assets (Continued)

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 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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Assets (Continued)

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.

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments (Continued)

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, 2006, 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;
- (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**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments

Investments (Continued)

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, 2006, none of the HRA-EDA's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the 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, 2006, 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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments (Continued)

The following table presents the HRA-EDA's deposit and investment balances at December 31, 2006, 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	\$ 1,510,017
MAGIC Fund	N/R	N/A	345
Total investments			\$ 1,510,362
Deposits			657,211
Petty cash			60
Total Cash and Investments			<u>\$ 2,167,633</u>

N/A - Not Applicable
N/R - Not Rated
S&P - Standard & Poor's

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
2007	\$ 1,070,000	\$ 458,596
2008	1,120,000	414,641
2009	1,100,000	364,511
2010	245,000	312,833
2011	255,000	281,759
2012 and beyond	5,489,999	2,499,579
Total payments	\$ 9,279,999	\$ 4,331,919
Less: cash with escrow agent	(1,510,017)	
Lease Receivable at December 31, 2006	<u>\$ 7,769,982</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, 2006, was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land and land improvements	\$ 243,180	\$ 1	\$ -	\$ 243,181
Construction in progress	1,235,931	832,247	2,068,178	-
Total capital assets not depreciated	<u>\$ 1,479,111</u>	<u>\$ 832,248</u>	<u>\$ 2,068,178</u>	<u>\$ 243,181</u>
Capital assets depreciated				
Buildings and structures	\$ 3,660,249	\$ 2,018,000	\$ -	\$ 5,678,249
Furniture and equipment	17,607	6,531	-	24,138
Improvements	-	37,489	-	37,489
Total capital assets depreciated	<u>\$ 3,677,856</u>	<u>\$ 2,062,020</u>	<u>\$ -</u>	<u>\$ 5,739,876</u>
Less: accumulated depreciation for				
Buildings and structures	\$ 301,436	\$ 105,452	\$ -	\$ 406,888
Furniture and equipment	8,244	3,913	-	12,157
Improvements	-	1,187	-	1,187
Total accumulated depreciation	<u>\$ 309,680</u>	<u>\$ 110,552</u>	<u>\$ -</u>	<u>\$ 420,232</u>
Total capital assets depreciated, net	<u>\$ 3,368,176</u>	<u>\$ 1,951,468</u>	<u>\$ -</u>	<u>\$ 5,319,644</u>
Total Capital Assets, Net	<u>\$ 4,847,287</u>	<u>\$ 2,783,716</u>	<u>\$ 2,068,178</u>	<u>\$ 5,562,825</u>

Depreciation expense was charged as follows:

Housing and Economic Development	<u>\$ 110,552</u>
----------------------------------	-------------------

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**

6. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

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 \$14,980,000.

During the year, the HRA-EDA issued General Obligation Housing Development Bonds, Series 2006A. The \$1,200,000 issuance proceeds are being used to finance the acquisition of approximately 94 acres of land in the City of North Branch for industrial development by private developers. 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>
\$1,200,000 Taxable Revenue Bonds, Series 2006A, due in semiannual installments of \$6,547 to \$837,219 through 2017; interest of 7.75 percent fixed for five years, then reset to the current Wall Street Journal prime rate minus 0.5 percent for the remaining five years.	\$ 1,200,000
\$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.	2,375,000
\$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.	6,685,000
\$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.	1,965,000
\$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>2,595,000</u>
Total General Obligation Bonds	<u>\$ 14,820,000</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	General Obligation Bonds		Notes - Demand Promissory		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 1,076,547	\$ 563,393	\$ -	\$ 67,500	\$ 1,076,547	\$ 630,893
2008	1,225,455	647,469	-	67,500	1,225,455	714,969
2009	1,232,749	590,652	-	67,500	1,232,749	658,152
2010	389,972	553,450	-	67,500	389,972	620,950
2011	407,374	536,411	-	67,500	407,374	603,911
2012 - 2016	2,364,684	2,386,841	-	337,500	2,364,684	2,724,341
2017 - 2021	3,583,219	1,495,275	-	337,500	3,583,219	1,832,775
2022 - 2026	3,225,000	714,785	1,000,000	337,500	4,225,000	1,052,285
2027 - 2031	800,000	226,590	-	-	800,000	226,590
2032 - 2035	515,000	41,158	-	-	515,000	41,158
Total	<u>\$ 14,820,000</u>	<u>\$ 7,756,024</u>	<u>\$ 1,000,000</u>	<u>\$ 1,350,000</u>	<u>\$ 15,820,000</u>	<u>\$ 9,106,024</u>

Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
G.O. lease revenue	\$ 3,395,000	\$ -	\$ 800,000	\$ 2,595,000	\$ 845,000
G.O. development	4,445,000	-	105,000	4,340,000	-
G.O. public project	6,740,000	-	55,000	6,685,000	225,000
G.O. revenue bonds	-	1,200,000	-	1,200,000	6,547
Promissory note	-	1,000,000	-	1,000,000	-
Compensated absences	19,125	11,808	6,281	24,652	12,326
Less: discount	(277,892)	-	(10,392)	(267,500)	-
Long-Term Liabilities	<u>\$ 14,321,233</u>	<u>\$ 2,211,808</u>	<u>\$ 955,889</u>	<u>\$ 15,577,152</u>	<u>\$ 1,088,873</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures (Continued)

C. Other Information

1. Risk Management

The HRA-EDA is exposed to various risks of loss 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, 2006, was \$111,807.

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>2006 Contributions</u>	<u>Percent of Covered Payroll</u>
Employer	\$ 5,590	5%
Employee	-	-

As of December 31, 2006, and for the year then ended, the SEP held no securities issued by the HRA-EDA or other related parties.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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**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.

Capital Equipment - to account for the acquisition of certain equipment which is financed through the tax levy.

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.

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, 2006**

	Special Revenue				
	County Building	Parks	Ditch	Lake Improvement District	Nursing Home
<u>Assets</u>					
Cash and pooled investments	\$ 249,185	\$ 1,043,066	\$ 96,371	\$ 565,791	\$ 231,241
Undistributed cash in agency funds	2,069	-	252	2,361	-
Taxes receivable					
Prior	6,804	-	-	8,135	-
Special assessments receivable					
Prior	-	-	433	-	-
Noncurrent	-	-	-	15,925	-
Accounts receivable	-	-	-	-	-
Total Assets	<u>\$ 258,058</u>	<u>\$ 1,043,066</u>	<u>\$ 97,056</u>	<u>\$ 592,212</u>	<u>\$ 231,241</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 14,400	\$ -	\$ 13,542	\$ -
Salaries payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue - unavailable	5,066	-	433	6,152	-
Deferred revenue - unearned	-	-	-	15,925	-
Total Liabilities	<u>\$ 5,066</u>	<u>\$ 14,400</u>	<u>\$ 433</u>	<u>\$ 35,619</u>	<u>\$ -</u>
Fund Balances					
Unreserved					
Designated for subsequent year's expenditures	\$ 249,000	\$ 1,028,666	\$ 96,000	\$ 556,593	\$ 231,000
Designated for cash flows	-	-	-	-	-
Undesignated	3,992	-	623	-	241
Total Fund Balances	<u>\$ 252,992</u>	<u>\$ 1,028,666</u>	<u>\$ 96,623</u>	<u>\$ 556,593</u>	<u>\$ 231,241</u>
Total Liabilities and Fund Balances	<u>\$ 258,058</u>	<u>\$ 1,043,066</u>	<u>\$ 97,056</u>	<u>\$ 592,212</u>	<u>\$ 231,241</u>

Statement 1

Funds				Library Capital Projects Fund	Total
Solid Waste	Capital Equipment	Forfeited Tax Sale	Missing Heirs		
\$ 790,097	\$ 2,686,568	\$ 6,758	\$ 99	\$ 20,552	\$ 5,689,728
7,898	25,151	-	-	-	37,731
-	79,650	-	-	-	94,589
36,861	-	-	-	-	37,294
-	-	-	-	-	15,925
693	202,801	-	-	-	203,494
\$ 835,549	\$ 2,994,170	\$ 6,758	\$ 99	\$ 20,552	\$ 6,078,761
\$ 11,503	\$ 77,666	\$ -	\$ -	\$ -	\$ 117,111
3,403	-	-	-	-	3,403
844	-	-	-	-	844
36,861	58,521	-	-	-	107,033
-	-	-	-	-	15,925
\$ 52,611	\$ 136,187	\$ -	\$ -	\$ -	\$ 244,316
\$ 782,938	\$ 1,841,324	\$ -	\$ -	\$ -	\$ 4,785,521
-	800,000	-	-	-	800,000
-	216,659	6,758	99	20,552	248,924
\$ 782,938	\$ 2,857,983	\$ 6,758	\$ 99	\$ 20,552	\$ 5,834,445
\$ 835,549	\$ 2,994,170	\$ 6,758	\$ 99	\$ 20,552	\$ 6,078,761

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>County Building</u>	<u>Parks</u>	<u>Ditch</u>	<u>Lake Improvement District</u>	<u>Special Revenue South Sewer District</u>
Revenues					
Taxes	\$ 159,558	\$ -	\$ -	\$ 235,052	\$ -
Special assessments	-	-	9,444	-	11,976
Licenses and permits	-	-	-	-	-
Intergovernmental	12,509	90,000	-	17,635	-
Charges for services	10,442	156,800	-	-	65,940
Gifts and contributions	-	-	-	-	-
Miscellaneous	-	156	-	-	-
Total Revenues	\$ 182,509	\$ 246,956	\$ 9,444	\$ 252,687	\$ 77,916
Expenditures					
Current					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-	-
Culture and recreation	-	79,496	-	-	-
Conservation of natural resources	-	-	27,142	83,073	-
Capital outlay	179,413	23,796	-	-	-
Debt service					
Principal	-	-	-	-	80,000
Interest and fiscal charges	-	-	-	-	9,001
Total Expenditures	\$ 179,413	\$ 103,292	\$ 27,142	\$ 83,073	\$ 89,001
Excess of Revenues Over (Under) Expenditures	\$ 3,096	\$ 143,664	\$ (17,698)	\$ 169,614	\$ (11,085)
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	(86,512)	-	-	-	(77,983)
Total Other Financing Sources (Uses)	\$ (86,512)	\$ -	\$ -	\$ -	\$ (77,983)
Net Change in Fund Balance	\$ (83,416)	\$ 143,664	\$ (17,698)	\$ 169,614	\$ (89,068)
Fund Balance - January 1	336,408	885,002	114,321	386,979	89,068
Fund Balance - December 31	\$ 252,992	\$ 1,028,666	\$ 96,623	\$ 556,593	\$ -

Statement 2

Funds						Library Capital Projects Fund	Total
Nursing Home	Solid Waste	Capital Equipment	Forfeited Tax Sale	Missing Heirs			
\$ -	\$ -	\$ 1,956,362	\$ 1,264	\$ -	\$ -	\$ -	\$ 2,352,236
-	475,760	-	-	-	-	-	497,180
-	9,968	-	-	-	-	-	9,968
-	130,365	461,481	-	-	-	-	711,990
-	18,491	-	-	-	-	-	251,673
-	-	3,000	-	-	-	-	3,000
83,806	-	31,277	-	-	43,515	-	158,754
\$ 83,806	\$ 634,584	\$ 2,452,120	\$ 1,264	\$ -	\$ 43,515	\$ -	\$ 3,984,801
\$ -	\$ -	\$ -	\$ 170	\$ -	\$ -	\$ -	\$ 170
-	511,701	-	-	-	-	-	511,701
-	-	-	-	-	-	-	79,496
-	-	-	-	-	-	-	110,215
-	-	2,918,421	-	-	22,963	-	3,144,593
40,000	-	-	-	-	-	-	120,000
11,835	-	-	-	-	-	-	20,836
\$ 51,835	\$ 511,701	\$ 2,918,421	\$ 170	\$ -	\$ 22,963	\$ -	\$ 3,987,011
\$ 31,971	\$ 122,883	\$ (466,301)	\$ 1,094	\$ -	\$ 20,552	\$ -	\$ (2,210)
\$ -	\$ -	\$ 17,817	\$ -	\$ -	\$ -	\$ -	\$ 17,817
-	(23,000)	(112,443)	-	-	-	-	(299,938)
\$ -	\$ (23,000)	\$ (94,626)	\$ -	\$ -	\$ -	\$ -	\$ (282,121)
\$ 31,971	\$ 99,883	\$ (560,927)	\$ 1,094	\$ -	\$ 20,552	\$ -	\$ (284,331)
199,270	683,055	3,418,910	5,664	99	-	-	6,118,776
\$ 231,241	\$ 782,938	\$ 2,857,983	\$ 6,758	\$ 99	\$ 20,552	\$ -	\$ 5,834,445

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 171,700	\$ 171,700	\$ 159,558	\$ (12,142)
Intergovernmental	-	-	12,509	12,509
Charges for services	-	-	10,442	10,442
Total Revenues	\$ 171,700	\$ 171,700	\$ 182,509	\$ 10,809
Expenditures				
Capital outlay				
General government	\$ 80,000	\$ 80,000	\$ 136,337	\$ (56,337)
Public safety	-	-	7,975	(7,975)
Highways and streets	-	-	35,101	(35,101)
Total Expenditures	\$ 80,000	\$ 80,000	\$ 179,413	\$ (99,413)
Excess of Revenues Over (Under) Expenditures	\$ 91,700	\$ 91,700	\$ 3,096	\$ (88,604)
Other Financing Sources (Uses)				
Transfers out	(91,700)	(91,700)	(86,512)	5,188
Net Change in Fund Balance	\$ -	\$ -	\$ (83,416)	\$ (83,416)
Fund Balance - January 1	336,408	336,408	336,408	-
Fund Balance - December 31	\$ 336,408	\$ 336,408	\$ 252,992	\$ (83,416)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 90,000	\$ 90,000
Charges for services	150,000	150,000	156,800	6,800
Miscellaneous	-	-	156	156
Total Revenues	\$ 150,000	\$ 150,000	\$ 246,956	\$ 96,956
Expenditures				
Current				
Culture and recreation				
Parks	\$ 150,000	\$ 150,000	\$ 79,496	\$ 70,504
Capital outlay				
Culture and recreation	-	-	23,796	(23,796)
Total Expenditures	\$ 150,000	\$ 150,000	\$ 103,292	\$ 46,708
Net Change in Fund Balance	\$ -	\$ -	\$ 143,664	\$ 143,664
Fund Balance - January 1	885,002	885,002	885,002	-
Fund Balance - December 31	\$ 885,002	\$ 885,002	\$ 1,028,666	\$ 143,664

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 9,500	\$ 9,500	\$ 9,444	\$ (56)
Expenditures				
Current				
Conservation of natural resources				
Ditch	9,500	9,500	27,142	(17,642)
Net Change in Fund Balance	\$ -	\$ -	\$ (17,698)	\$ (17,698)
Fund Balance - January 1	114,321	114,321	114,321	-
Fund Balance - December 31	\$ 114,321	\$ 114,321	\$ 96,623	\$ (17,698)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
LAKE IMPROVEMENT DISTRICT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 250,000	\$ 250,000	\$ 235,052	\$ (14,948)
Intergovernmental	-	-	17,635	17,635
Total Revenues	\$ 250,000	\$ 250,000	\$ 252,687	\$ 2,687
Expenditures				
Current				
Conservation of natural resources				
Lake improvement district	250,000	250,000	83,073	166,927
Net Change in Fund Balance	\$ -	\$ -	\$ 169,614	\$ 169,614
Fund Balance - January 1	386,979	386,979	386,979	-
Fund Balance - December 31	\$ 386,979	\$ 386,979	\$ 556,593	\$ 169,614

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
SOUTH SEWER DISTRICT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 64	\$ 64	\$ 11,976	\$ 11,912
Charges for services	65,940	65,940	65,940	-
Total Revenues	\$ 66,004	\$ 66,004	\$ 77,916	\$ 11,912
Expenditures				
Debt service				
Principal	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
Interest and fiscal charges	11,200	11,200	9,001	2,199
Total Expenditures	\$ 91,200	\$ 91,200	\$ 89,001	\$ 2,199
Excess of Revenues Over (Under) Expenditures	\$ (25,196)	\$ (25,196)	\$ (11,085)	\$ 14,111
Other Financing Sources (Uses)				
Transfers out	-	-	(77,983)	(77,983)
Net Change in Fund Balance	\$ (25,196)	\$ (25,196)	\$ (89,068)	\$ (63,872)
Fund Balance - January 1	89,068	89,068	89,068	-
Fund Balance - December 31	\$ 63,872	\$ 63,872	\$ -	\$ (63,872)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
NURSING HOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 83,806	\$ 83,806
Expenditures				
Debt service				
Principal	\$ 210,000	\$ 210,000	\$ 40,000	\$ 170,000
Interest	11,835	11,835	11,835	-
Total Expenditures	\$ 221,835	\$ 221,835	\$ 51,835	\$ 170,000
Net Change in Fund Balance	\$ (221,835)	\$ (221,835)	\$ 31,971	\$ 253,806
Fund Balance - January 1	199,270	199,270	199,270	-
Fund Balance - December 31	\$ (22,565)	\$ (22,565)	\$ 231,241	\$ 253,806

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 10

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 458,334	\$ 458,334	\$ 475,760	\$ 17,426
Licenses and permits	6,000	6,000	9,968	3,968
Intergovernmental	129,000	129,000	130,365	1,365
Charges for services	11,000	11,000	18,491	7,491
Total Revenues	\$ 604,334	\$ 604,334	\$ 634,584	\$ 30,250
Expenditures				
Current				
Sanitation				
Recycling	\$ 145,044	\$ 145,044	\$ 119,009	\$ 26,035
Hazardous waste	166,290	166,290	153,868	12,422
Other	270,000	270,000	238,824	31,176
Total Expenditures	\$ 581,334	\$ 581,334	\$ 511,701	\$ 69,633
Excess of Revenues Over (Under) Expenditures	\$ 23,000	\$ 23,000	\$ 122,883	\$ 99,883
Other Financing Sources (Uses)				
Transfers out	(23,000)	(23,000)	(23,000)	-
Net Change in Fund Balance	\$ -	\$ -	\$ 99,883	\$ 99,883
Fund Balance - January 1	683,055	683,055	683,055	-
Fund Balance - December 31	\$ 683,055	\$ 683,055	\$ 782,938	\$ 99,883

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 11

**BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,100,509	\$ 2,100,509	\$ 1,956,362	\$ (144,147)
Intergovernmental	-	-	461,481	461,481
Gifts and contributions	-	-	3,000	3,000
Miscellaneous	-	-	31,277	31,277
Total Revenues	\$ 2,100,509	\$ 2,100,509	\$ 2,452,120	\$ 351,611
Expenditures				
Capital outlay				
General government	\$ 3,819,375	\$ 3,819,375	\$ 1,713,058	\$ 2,106,317
Public safety	314,036	314,036	851,710	(537,674)
Highways and streets	400,000	400,000	299,585	100,415
Culture and recreation	52,000	52,000	-	52,000
Economic development	14,400	14,400	54,068	(39,668)
Total Expenditures	\$ 4,599,811	\$ 4,599,811	\$ 2,918,421	\$ 1,681,390
Excess of Revenues Over (Under) Expenditures	\$ (2,499,302)	\$ (2,499,302)	\$ (466,301)	\$ 2,033,001
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 17,817	\$ 17,817
Transfers out	(203,509)	(203,509)	(112,443)	91,066
Total Other Financing Sources (Uses)	\$ (203,509)	\$ (203,509)	\$ (94,626)	\$ 108,883
Net Change in Fund Balance	\$ (2,702,811)	\$ (2,702,811)	\$ (560,927)	\$ 2,141,884
Fund Balance - January 1	3,418,910	3,418,910	3,418,910	-
Fund Balance - December 31	\$ 716,099	\$ 716,099	\$ 2,857,983	\$ 2,141,884

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**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 collection and payment of taxes due to school districts.

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

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

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

Local Collaboratiaves - 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, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<u>EMPLOYEE RECOGNITION</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 5,732	\$ 981	\$ 4,092	\$ 2,621
<u>Liabilities</u>				
Accounts payable	\$ 5,732	\$ 981	\$ 4,092	\$ 2,621
 <u>FLEXIBLE BENEFITS PLAN</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 41,095	\$ 199,061	\$ 193,896	\$ 46,260
<u>Liabilities</u>				
Deferred benefits	\$ 41,095	\$ 199,061	\$ 193,896	\$ 46,260
 <u>REGION 7E</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 74,826	\$ 74,826	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 74,826	\$ 74,826	\$ -

**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, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 15,035,266	\$ 15,035,266	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 15,035,266	\$ 15,035,266	\$ -
<u>TAX AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 456,437	\$ 60,431,249	\$ 60,439,053	\$ 448,633
<u>Liabilities</u>				
Unapportioned taxes	\$ -	\$ 332,094	\$ 332,094	\$ -
Unapportioned special assessments	-	8,150	8,150	-
Due to other governments	456,437	60,091,005	60,098,809	448,633
Total Liabilities	\$ 456,437	\$ 60,431,249	\$ 60,439,053	\$ 448,633
<u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 18,894,569	\$ 18,894,569	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 18,894,569	\$ 18,894,569	\$ -

**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, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 484,121	\$ 3,852,937	\$ 3,975,001	\$ 362,057
<u>Liabilities</u>				
Due to other governments	\$ 484,121	\$ 3,852,937	\$ 3,975,001	\$ 362,057
 <u>LOCAL COLLABORATIVES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 432,494	\$ 316,988	\$ 423,130	\$ 326,352
<u>Liabilities</u>				
Due to other governments	\$ 432,494	\$ 316,988	\$ 423,130	\$ 326,352
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,419,879	\$ 98,805,877	\$ 99,039,833	\$ 1,185,923
<u>Liabilities</u>				
Accounts payable	\$ 5,732	\$ 981	\$ 4,092	\$ 2,621
Unapportioned taxes	-	332,094	332,094	-
Unapportioned special assessments	-	8,150	8,150	-
Deferred benefits	41,095	199,061	193,896	46,260
Due to other governments	1,373,052	98,265,591	98,501,601	1,137,042
Total Liabilities	\$ 1,419,879	\$ 98,805,877	\$ 99,039,833	\$ 1,185,923

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SUPPORTING SCHEDULES

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 12

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2006**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Deposits and Investments			
Checking accounts			
Mainstreet Bank	-		\$ 14,651
Lake Area Bank	-		(1,606,914)
Total checking accounts			\$ (1,592,263)
Savings account			
Community National Bank	Variable		\$ 50,000
Mutual funds			
Cadre Financial Services (MAGIC Fund)	Variable		\$ 11,150,184
Commercial paper			
Stifel Nicolaus	1.55	January 31, 2007	\$ 2,490,700
Certificates of deposit - bank			
Unity Bank East, Rush City	3.60	-	\$ 51,929
First State Bank, Wyoming	3.70	-	51,998
First State Bank, Wyoming	4.75	April 11, 2007	90,000
First State Bank, Wyoming	Variable	-	5,000
Patriot Bank Minnesota	4.00	March 10, 2011	25,000
First National Bank of Hudson	3.70	-	52,340
First National Bank of Hudson	Variable	-	24,570
S & C Bank	3.85	-	50,000
S & C Bank	Variable	-	5,000
Lake Area Bank	3.37	-	51,986
River Bank	3.76	-	52,000
River Bank	5.25	January 31, 2007	2,000,000
River Bank	4.75	March 15, 2009	25,000
River Bank	5.40	February 1, 2007	500,000
Total certificates of deposit - bank			\$ 2,984,823
Certificates of deposit - brokered			
Wachovia Securities - 990002NU7	5.05	March 6, 2007	\$ 99,944
Wachovia Securities - 47816HAW7	4.00	April 30, 2009	98,474
Wachovia Securities - 85339RH89	Variable	January 26, 2011	91,891
Wachovia Securities - 51803U5R2	Variable	March 9, 2011	91,888
Wachovia Securities - 553036BQ6	5.00	December 20, 2012	95,532
Wachovia Securities - 94675PBL4	3.00	July 8, 2013	95,479
Total certificates of deposit - brokered			\$ 573,208

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**Schedule 12
(Continued)**

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2006**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Deposits and Investments (Continued)			
U.S. government securities			
FHLB - 3133XG4N1	6.00	June 29, 2007	\$ 200,640
FHLB - 3133XGAF1	6.05	August 2, 2010	400,375
FHLB - 3128X5HY7	5.50	September 8, 2011	502,421
FNMA - 3133XGW67	5.28	September 12, 2008	200,000
FHLB - 3133XGYVO	5.35	September 18, 2009	199,160
FHLB - 3133XH3V2	5.52	April 2, 2009	200,000
FHLB - 3133XHCJ9	5.25	October 5, 2009	299,531
FHLB - 3133XHMA7	5.40	November 13, 2009	500,156
FHLB - 3133XHVX7	5.33	December 8, 2009	298,500
FHLB - 3133XHWU2	5.40	June 14, 2010	398,312
FHLB - 3136F8M7	5.30	June 14, 2010	299,250
FHLB - 3133XCPK3	4.25	February 22, 2007	199,720
FHLB - 3133X6CB0	4.00	April 30, 2007	197,786
FHLB - 3133XRBRX5	4.05	May 24, 2007	249,018
FHLB - 3133X9X47	5.00	June 29, 2007	397,676
FHLB - 3133X4BG5	4.00	September 10, 2007	296,208
FHLB - 3133X4GJ4	5.00	September 17, 2007	839,993
FHLB - 3133XJ5C8	5.50	December 19, 2011	500,000
FHLB - 3133X93N8	4.50	November 9, 2007	345,779
FHLB - 3136F8CA1	5.50	December 27, 2011	300,000
FHLB - 3133X53P1	3.63	April 7, 2008	245,358
FHLB - 31339YLD2	4.00	July 29, 2008	735,833
FHLB - 31339YX56	4.00	August 13, 2008	980,490
FHLB - 3133X07B9	4.50	August 20, 2008	496,300
FHLB - 3133MYX93	4.00	December 5, 2008	246,168
FHLB - 31339XPB4	4.00	December 30, 2008	318,900
FHLB - 31339XPM0	3.75	December 30, 2008	488,430
FHLB - 3133XJEH7	5.50	December 29, 2011	175,000
FHLB - 3133X3L92	4.00	August 19, 2009	395,140
FHLB - 3133X4TM3	4.25	March 30, 2010	147,947
FHLB - 3133MYZT7	4.00	June 12, 2013	387,004
FHLB - 31339XBK9	4.00	June 19, 2013	300,316
FHLB - 31339XJ88	3.00	June 26, 2013	197,200
FHLB - 31339XJ88	4.00	June 26, 2013	284,820
FHLB - 31339XZW7	4.00	July 16, 2013	119,064
Total U.S. government securities			\$ 12,342,495
Total Deposits and Investments			\$ 27,999,147

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 13

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

	Taxes Payable in Year					
	2005		2006		2007	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 38,948,094		\$ 44,916,092		\$ 50,719,836	
Personal property	864,912		887,093		913,744	
Total Tax Capacity	\$ 39,813,006		\$ 45,803,185		\$ 51,633,580	
Taxes Levied for County Purposes						
County Revenue	\$ 11,640,636	27.397	\$ 12,320,729	23.634	\$ 13,547,454	23.205
Road and Bridge	3,492,760	8.084	3,990,798	8.934	4,936,025	9.798
Road and Bridge Bonds	607,686	1.567	609,873	1.359	865,203	1.710
Welfare	4,880,699	11.487	5,299,257	11.862	6,030,000	11.969
Building Repair	80,000	0.188	80,000	0.179	80,000	0.159
Building Repair Bonds	93,100	0.240	91,700	0.204	91,700	0.181
Regional Library*	450,891	1.181	478,435	1.089	516,653	1.042
Library Bonds	531,396	1.392	540,248	1.229	536,200	1.081
Capital Equipment	1,800,000	4.642	1,897,000	4.247	1,500,000	2.977
Capital Equipment Notes	96,663	0.249	203,509	0.454	202,368	0.400
Highway Building Bonds	802,000	2.068	802,000	1.795	802,000	1.592
Total Levy for County Purposes	\$ 24,475,831	58.495	\$ 26,313,549	54.986	\$ 29,107,603	54.114
Less Credits Payable by State	3,503,811		3,377,712		3,381,544	
Net Levy for County Purposes	\$ 20,972,020		\$ 22,935,837		\$ 25,726,059	
Market Value - Light and Power						
Transmission lines	\$ 4,599,100		\$ 4,699,100		\$ 4,999,000	
Distribution lines	983,800		1,005,300		1,069,600	
Total Market Value - Light and Power	\$ 5,582,900		\$ 5,704,400		\$ 6,068,600	
Tax Capacity - Light and Power						
Transmission lines	\$ 91,982		\$ 93,982		\$ 99,980	
Distribution lines	19,676		20,106		21,392	
Total Tax Capacity - Light and Power	\$ 111,658		\$ 114,088		\$ 121,372	

*Levy applies to selected areas only.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 13
(Continued)

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

	Taxes Payable in Year					
	2005		2006		2007	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)						
Transmission lines - market value	\$ 2,760	0.06000	\$ 3,494	0.07434	\$ 3,802	0.07605
Distribution lines - market value	590	0.06000	748	0.07434	813	0.07605
Transmission lines - tax capacity	113,192	123.061	107,842	114.748	112,052	112.074
Distribution lines - tax capacity	<u>24,214</u>	123.061	<u>23,072</u>	114.748	<u>23,974</u>	112.074
Total Light and Power Tax Levies	<u>\$ 140,756</u>		<u>\$ 135,156</u>		<u>\$ 140,641</u>	
Special Assessments						
Ditch liens, fees, and assessments	<u>\$ 455,563</u>		<u>\$ 454,096</u>		<u>\$ 353,112</u>	
Percentage of Tax Collections for All Purposes	97.63%		97.10%			

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2006**

	<u>Assets</u>			<u>Total</u>
	<u>Cash</u>	<u>Special Assessments Receivable</u>		
		<u>Unapportioned</u>	<u>Delinquent</u>	
Judicial Ditch				
2	\$ (33)	\$ -	\$ -	\$ (33)
County Ditches				
1	(395)	-	-	(395)
2	7,201	1	5	7,207
3	1,007	6	23	1,036
4	2,007	32	7	2,046
5	32,937	-	-	32,937
6	10,108	-	13	10,121
7	20,816	30	123	20,969
8	601	-	14	615
9	(140)	165	181	206
10	19,094	16	55	19,165
11	(59)	-	-	(59)
14	3,227	2	12	3,241
Total	<u>\$ 96,371</u>	<u>\$ 252</u>	<u>\$ 433</u>	<u>\$ 97,056</u>

Schedule 14

<u>Liabilities</u> <u>Deferred</u> <u>Revenue</u>	<u>Fund Balances</u>			<u>Total</u> <u>Liabilities and</u> <u>Fund Balances</u>
	<u>Designated</u>	<u>Undesignated</u>	<u>Total</u>	
\$ -	\$ -	\$ (33)	\$ (33)	\$ (33)
-	-	(395)	(395)	(395)
5	7,201	1	7,202	7,207
23	1,007	6	1,013	1,036
7	2,007	32	2,039	2,046
-	32,000	937	32,937	32,937
13	10,108	-	10,108	10,121
123	20,816	30	20,846	20,969
14	601	-	601	615
181	-	25	25	206
55	19,034	76	19,110	19,165
-	-	(59)	(59)	(59)
12	3,226	3	3,229	3,241
<u>\$ 433</u>	<u>\$ 96,000</u>	<u>\$ 623</u>	<u>\$ 96,623</u>	<u>\$ 97,056</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 15

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Shared Revenue

State

Highway users tax	\$	2,630,544
HACA		1,763,241
Market value credit		1,640,183
Market value credit - mobile home		20,759
Market value credit - agricultural		6,377
PERA rate reimbursement		48,855
Disparity reduction aid		3,811
Police aid		194,836
E-911		114,840
		114,840

Total Shared Revenue

\$ 6,423,446

Reimbursement for Services

State

Minnesota Department of Trial Courts	\$	99,877
Minnesota Department of Human Services		2,358,525
		2,358,525

Total Reimbursement for Services

\$ 2,458,402

Payments

Local

Payments in lieu of taxes	\$	585,714
		585,714

Grants

State

Minnesota Department of Corrections	\$	267,170
Public Safety		73,388
Transportation		179,354
Health		566,213
Natural Resources		135,464
Human Services		2,001,394
Soil and Water Resources Board		53,492
Peace Officer Standards and Training Board		13,385
Office of Environmental Assistance		108,943
Pollution Control Agency		85,414
		85,414

Total State

\$ 3,484,217

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

***Schedule 15
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 126,110
Justice	131,149
Transportation	2,655,946
Health and Human Services	756,575
Homeland Security	615,143
Election Assistance Commission	231,366
Environmental Protection Agency	904
	<hr/>
Total Federal	\$ 4,517,193
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Total State and Federal Grants	\$ 8,001,410
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Total Intergovernmental Revenue	\$ 17,468,972
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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 16

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Chisago County.
- B. Significant deficiencies 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 an unqualified opinion.
- F. No findings were disclosed that are 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 |
| 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 not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-3 Segregation of Duties

Due to the limited number of office personnel within various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Offices that do not have sufficient segregation of duties include the County Auditor's Office, County Treasurer's Office, County Sheriff's Office, County Recorder's Office, Highway Engineer's Office, the County's Environmental Services' Office, the Health and Human Services Department, and the Payroll Department. 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 in their operations. Limited staffing makes total compliance not practical.

05-3 Health and Human Services Department-Social Services Division - Operating Procedures and Documentation

Recommendations were made to the operating procedures and related documentation practices of the Social Services Division. Our follow-up on these recommendations found the first three items have been resolved and the other two are being repeated.

- We recommended that a receipt log be maintained by those opening the mail. The log should then be compared to deposits made with the County Auditor. We found that a receipt log was implemented and comparisons made with deposits, so this item is resolved.

Schedule 16
(Continued)

- A group of Social Services staff referred to as the System Authorization and Utilization Team (SAUT) reviewed and approved certain expenditures of the Social Services Division prior to payment. We recommended that the SAUT's purpose and authority be formalized in a written document. Our follow-up this year found that the SAUT was discontinued, so this matter is resolved.
- Our tests of disbursements from the Social Welfare Fund found a lack of sufficient documentation to support the claim. Though the disbursements consisted primarily of regular monthly charges, we recommended that documentation be attached to each claim. For the disbursements reviewed in our current follow-up, we found documentation to be adequate, so this matter is resolved.
- We recommended written accounting policies and procedures be developed for the Social Services Division and adopted by the County Board. Our follow-up found that the Health and Human Services Director was preparing to submit written policies and procedures to the County Board, but had not done so as of the end of our fieldwork. We understand that policies and procedures were subsequently approved by the County Board. We will review them in our next audit. As a result, this item is not yet resolved.
- We noted that there was not a specific process for creating new vendors in the accounting system. It appeared several Social Services staff had the ability to create new vendors without supervisory oversight. We recommended a policy be established to provide accountability for creating new vendors. Our follow-up this year found no change in this condition. We again recommend that management of the Health and Human Services Department take steps to create accountability for those staff involved in creating new vendors.

For those items above that are not resolved, we recommend that management of the Health and Human Services Department address them as soon as possible. We will review progress on these items in our subsequent audit.

Client's Response:

These policies were developed and adopted by the Chisago County Board of Commissioners on November 28, 2007.

ITEMS ARISING THIS YEAR

06-1 Health and Human Services Department-Income Maintenance Division - Operating Procedures and Documentation

Our review of operating procedures and documentation in the Income Maintenance Division found the following:

- In addition to performing duties as the Director of Finance and Operations for the Health and Human Services Department, the Director is also involved with the Developmental Disabilities (DD) Program by creating contracts with new vendors, approving client case plans for the DD case workers, supervising case workers, and reviewing cases of the DD case workers on an annual basis. The duties with the DD Program are not compatible with those of the Director of Finance and Operations. Oversight of the DD Program should not be controlled by the Director of Finance and Operations. The Director is performing tasks in the DD Program for which she could also be called on to review for compliance and appropriateness. The Director's duties should be viewed more as an oversight function, rather than having direct involvement with program activities. We recommend that duties of the DD Program be assigned to someone else.
- Procedures are not in place to ensure that case files receive a supervisory review on a regular basis. At the time of our review, we were informed that few case files had been reviewed recently. We recommend that written procedures be developed that call for regular reviews of case files. The reviews should be documented by a supervisor's sign-off. Management of the Health and Human Services Department should monitor for compliance with this procedure.
- We found that no documentation was maintained on vendors created in the County's IFS system to verify their legitimacy for providing goods and services to the Health and Human Services Department. We found that records began to be maintained in 2007. We will review this condition in the 2007 audit.

We recommend that the Health and Human Services Department review the above matters and take corrective action, as deemed appropriate.

Client's Response:

- *We are currently examining our organizational structure with a plan to unbundle these duties. We agree with the Auditor's recommendation and will diligently work toward this end.*
- *We are taking steps to implement this recommendation.*
- *This system is in place and is active on an ongoing basis.*

06-2 Payroll-Related Matters

The County utilizes a software program referred to as Paymate. Our review of payroll activities in the County found the following conditions:

- Access to the system is not sufficiently restricted. We found that several individuals have direct access that would allow them to change pay rates as well as add individuals to the system. This condition represents a serious weakness to the County's internal controls. Access to Paymate should be restricted to a limited number of individuals who are directly involved with the processing of payroll for the County. Any changes required to an employee's payroll information should be performed by the centralized payroll staff. As such, departmental staff should be restricted from having access to the payroll system.

We recommend that employee profiles be adjusted, where needed, to prevent access to the Paymate system by departmental staff for the purpose of making changes to the system.

- We found seasonal employees classified in an active status when they should have been classified as inactive. An active status could result in a payment being made to those employees while not working.

We recommend that steps be taken to ensure the proper status of seasonal employees during the year.

- During 2006, Blue Cross Blue Shield automatically withdrew funds from the County's bank account for monthly insurance premiums. There was no reconciliation performed between amounts withdrawn and the actual amount invoiced for the premiums. From our own reconciliation for August 2006, we could not account for \$180,000 that was withdrawn from the County's bank account by Blue Cross Blue Shield. County staff were unable to provide an explanation.

We recommend that the County inquire with Blue Cross Blue Shield as to the premiums that should have been charged for August 2006 to determine if the correct amount was withdrawn from County funds. We also recommend that a procedure be implemented to reconcile insurance premiums invoiced to the County with amounts automatically withdrawn from the County's bank account.

Client's Response:

- *We acknowledge the security restriction was insufficient. We implemented restricted access to the Auditor's Department, who prints the checks, and Camille Koivisto in Human Resources, who needs access for informational purposes only. The people who will have unrestricted access will be Renee Kirchner and Pamela Larson in Human Resources, who are both exclusively involved in the payroll process, and Heidi Moss who solely maintains our software. We also have what is called a logging file in our Paymate system that will allow us to retrieve all changes made, by whom, and the date and time.*
- *We did and will do an internal audit of the titles to ensure that the classifications fit the actual employee status. In addition, any type of payment made to seasonal employees would only be generated by a time card signed by both employee and supervisor and then would have to be manually entered into the system.*
- *Chisago County recovered documentation verifying the automatic withdrawal in the amount of \$184,184. We are currently reconciling insurance premiums with our new company, Medica.*

PREVIOUSLY REPORTED ITEMS RESOLVED

Sheriff's Office - Prisoners' Accounts (04-1)

Our previous reports identified several matters involving the internal controls and recordkeeping in the Sheriff's Office for the prisoner's accounts.

Resolution

Staff of the Sheriff's Office have made substantial progress in addressing these matters, to the extent we consider the audit finding resolved.

Accounting Policies and Procedures (05-1)

Our previous report recommended that the County adopt a comprehensive manual of its accounting policies and procedures.

Resolution

We found that substantial progress had been made with the adoption of policies and procedures by the County Board, to the extent we consider the audit finding resolved. We do note that additional policies and procedures for the Health and Human Services Department have been recommended in the previous section titled "Items Arising This Year."

Expense Reimbursements (05-2)

Our previous report noted certain matters related to the preparation and review process for expense reimbursements to County employees and elected officials. We recommended improvements to documentation for the reimbursements, information on reimbursement forms, and documenting review of forms prepared by elected officials.

Resolution

Our current review found satisfactory progress, to the extent we consider the matter resolved.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

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

Our previous report questioned costs totaling \$62,874 in the Title IV-E Program, involving Child Welfare Scholar Phase II funds. The questioned amounts resulted from an investigation performed by the Minnesota Department of Human Services.

Resolution

Our follow-up this year on the questioned costs found that the County had returned \$62,874 to the Minnesota Department of Human Services, so this matter is resolved.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. LEGAL COMPLIANCE

PREVIOUSLY REPORT ITEM NOT RESOLVED

05-5 Security Interest in Pledged Collateral

Our previous report noted that the County did not have documentation that it had a perfected security interest in pledged collateral, in compliance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). In our current audit, we found that the County had acquired documentation to comply with the FIRREA. However, the documentation does not state that upon default, the financial institution shall release the collateral to the County on demand, free of exchange or any other charges, as required by Minn. Stat. § 118A.03, subd. 4.

We recommend the perfected security interest documents be modified to comply with Minnesota statutes pertaining to the release of collateral to the County.

Client's Response:

Chisago County will modify its perfected security interest documents to comply with Minnesota statutes regarding the release of collateral to the County.

PREVIOUSLY REPORTED ITEM RESOLVED

Recreation Equipment Purchases (04-2)

Previous reports have discussed the use of County-owned property for recreational purposes. We recommended that the County have written contracts with the users of County property defining terms for the use of the property.

Resolution

We found that the County Board adopted a policy statement and policy guidelines for the use of recreational property. The guidelines call for a Memorandum of Agreement to be signed by the County and users, which identifies responsibilities of the users while using County property.

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.

Schedule 16
(Continued)

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

Client's Response:

We are aware of this GASB regulation and are researching what we need to do in order to meet the requirements of this regulation.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

REPORT ON 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, 2006, and have issued our report thereon dated January 11, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement or the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-3, 05-3, 06-1, and 06-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Chisago County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above are material weaknesses.

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 item 05-5.

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to Chisago County, and it is reported for that purpose.

Chisago County's written responses to the significant deficiencies, legal compliance finding, and other item have not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Chisago County, 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/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

January 11, 2008

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

REPORT ON COMPLIANCE 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, 2006. 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.

In our opinion, 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, 2006.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Chisago County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, 2006, and have issued our report thereon dated January 11, 2008. 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 others within the County, 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/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

January 11, 2008

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 17

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 117,294
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	8,816
Total U.S. Department of Agriculture		\$ 126,110
U.S. Department of Justice		
Direct		
Bulletproof Vest Partnership Program	16.607	\$ 2,239
Passed Through Minnesota Department of Public Safety		
Byrne Formula Grant Program	16.579	41,985
Edward Byrne Memorial Justice Assistance	16.738	86,925
Total U.S. Department of Justice		\$ 131,149
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	\$ 2,484,713
Federal Transit Capital Assistance Grant	20.507	171,233
Total U.S. Department of Transportation		\$ 2,655,946
U.S. Environmental Protection Agency		
Passed Through Minnesota Pollution Control Agency		
Non-Point Source Implementation Grant	66.460	\$ 904
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State		
Help America Vote Act	90.401	\$ 231,366

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 17
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	\$ 5,184
Temporary Assistance for Needy Families (TANF)	93.558	204,316
Child Care and Development Block Grant	93.575	22,140
Foster Care Title IV-E	93.658	130,568
Social Services Block Grant Title XX	93.667	239,975
Chafee Foster Care Independent Living	93.674	5,700
Community Mental Health Block Grant	93.958	22,096
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	86,559
Maternal and Child Health Services Block Grant	93.994	40,037
Total U.S. Department of Health and Human Services		\$ 756,575
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Program	97.004	\$ 598,596
Emergency Management Performance Grants	97.042	16,547
Total U.S. Department of Homeland Security		\$ 615,143
Total Federal Awards		\$ 4,517,193

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 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 subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.