

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

CHISAGO COUNTY
CENTER CITY, MINNESOTA

YEAR ENDED DECEMBER 31, 2004

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Year Ended December 31, 2004



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

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
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	11
Statement of Activities	Exhibit 2	12
Fund Financial Statements		
Balance Sheet - Governmental Funds	Exhibit 3	13
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	Exhibit 5	18
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	20
Budgetary Comparison Schedules		
General Fund	Schedule 1	21
Road and Bridge Special Revenue Fund	Schedule 2	24
Human Services Special Revenue Fund	Schedule 3	25
Capital Equipment Special Revenue Fund	Schedule 4	26
Statement of Fiduciary Net Assets - Fiduciary Funds	Exhibit 7	27
Notes to the Financial Statements		28
 Combining and Individual Fund Statements and Schedules		
Nonmajor Governmental Funds		66
Combining Balance Sheet	Statement 1	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement 2	69

**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 5	71
Parks Special Revenue Fund	Schedule 6	72
Ditch Special Revenue Fund	Schedule 7	73
Lake Improvement District Special Revenue Fund	Schedule 8	74
South Sewer District Special Revenue Fund	Schedule 9	75
Nursing Home Special Revenue Fund	Schedule 10	76
Solid Waste Special Revenue Fund	Schedule 11	77
Agency Funds		78
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	Statement 3	79
Supporting Schedules		
Schedule of Deposits and Investments	Schedule 12	82
Tax Capacity, Tax Rates, Levies, and Percentage of Collections	Schedule 13	84
Balance Sheet - By Ditch - Ditch Special Revenue Fund	Schedule 14	86
Schedule of Intergovernmental Revenue	Schedule 15	88
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 16	89
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		94
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		96
Schedule of Expenditures of Federal Awards	Schedule 17	98

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

ORGANIZATION
2004

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	Lora Walker	January 2003	January 2005
2nd District	Rick Olseen	January 2003	January 2007
3rd District	Robert Gustafson ¹	January 2001	January 2005
4th District	Ben Montzka	January 2003	January 2007
5th District	Mike Robinson ²	January 2001	January 2005
Officers			
Elected			
Attorney	Katherine 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	March 2002	December 2004
Court Administrator	Kathleen Karnowski		Indefinite
Coroner	Lindsey C. Thomas	January 2002	December 2004
Examiner of Titles	Joseph Anderson		Indefinite
Highway Engineer	Bill Malin	May 2004	May 2005
Probation Officer	Steven Paquay		Indefinite
Recorder/Registrar of Titles	Elaine Oftelie		Indefinite
Surveyor	Terry Johnson		Indefinite
Veterans Service Officer/Civil Defense	James Halstrom	November 2002	November 2006
Welfare Director	David Sainio		June 2005

¹Chair 2005

²Chair 2004

This page was left blank intentionally.

This page was left blank intentionally.



STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON
STATE AUDITOR

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, 2004, 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, 2004, and the respective changes in financial position thereof and the respective budgetary comparison schedules for the General Fund and the Road and Bridge, Human Services, and Capital Equipment Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2005, on our consideration of Chisago County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Pat Anderson

/s/Greg Hierlinger

PATRICIA ANDERSON
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: July 22, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

(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, 2004. 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 \$75,711,842 at the close of 2004. Of this amount, \$9,921,226 (unrestricted net assets) may be used to meet Chisago County's ongoing obligations to citizens and creditors.
- Chisago County's total net assets increased by \$8,278,536 in 2004. This is attributable primarily to road construction and maintenance projects being capitalized and additional grant programs.
- At the close of 2004, Chisago County's governmental funds reported combined ending fund balances of \$20,250,064, an increase of \$4,040,916 from the previous year-end balance. At the end of the year, Chisago County's unreserved fund balance totaled \$17,626,788, which is available for spending at the County Board's discretion.
- At the close of 2004, unreserved fund balance for the General Fund was \$5,553,405, or 34 percent of total General Fund expenditures.
- Chisago County's bonds and notes payable increased by \$3,434,169, or 37 percent, during 2004. The key factor in the increase was the issuance of \$4,000,000 in General Obligation State-Aid Road 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 comprise 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 result in cash flows only in future fiscal periods (for example, 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.

The government-wide financial statements can be found in Exhibits 1 and 2 of this report.

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

The basic governmental fund financial statements can be found on Exhibits 3 through 6 of this report.

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 \$75,711,842 at the close of 2004. The largest portion of Chisago County's net assets (84 percent) reflects its investment in capital assets (for example, 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>2004</u>	<u>2003 (Restated)</u>
Current and other assets	\$ 26,127,548	\$ 22,379,672
Capital assets	<u>75,648,759</u>	<u>65,975,465</u>
Total Assets	\$ 101,776,307	\$ 88,355,137
Long-term liabilities outstanding	\$ 21,424,473	\$ 17,904,913
Other liabilities	<u>4,639,992</u>	<u>3,016,918</u>
Total Liabilities	\$ 26,064,465	\$ 20,921,831
Net Assets		
Invested in capital assets, net of related debt	\$ 63,633,124	\$ 56,601,312
Restricted	2,157,492	2,265,893
Unrestricted	<u>9,921,226</u>	<u>8,566,101</u>
Total Net Assets	\$ 75,711,842	\$ 67,433,306

The unrestricted net asset amount of \$9,921,226 as of December 31, 2004, may be used to meet the County's ongoing obligations to citizens and creditors. Chisago County's activities increased net assets by \$8,278,536, or 12.28 percent, over the 2003 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.

Changes in Net Assets

	<u>2004</u>	<u>2003</u>
Revenues		
Program revenues		
Charges for services	\$ 6,186,185	\$ 4,924,881
Operating grants and contributions	9,633,346	10,089,320
Capital grants and contributions	6,969,988	7,743,581
General revenues		
Property taxes	18,538,769	15,968,556
Other	<u>5,029,381</u>	<u>4,868,528</u>
Total Revenues	\$ 46,357,669	\$ 43,594,866

	<u>2004</u>	<u>2003</u>
Expenses		
General government	\$ 8,428,734	\$ 7,981,139
Public safety	7,311,834	7,132,333
Highways and streets	6,907,163	4,773,342
Sanitation	180,781	218,631
Human services	10,077,664	9,989,070
Health	1,993,905	2,002,607
Culture and recreation	995,359	392,644
Conservation of natural resources	493,022	542,583
Economic development	925,765	1,607,447
Interest	<u>764,906</u>	<u>216,330</u>
Total Expenses	<u>\$ 38,079,133</u>	<u>\$ 34,856,126</u>
Increase in Net Assets	\$ 8,278,536	\$ 8,738,740
Net Assets - January 1, restated	<u>67,433,306</u>	<u>58,694,566</u>
Net Assets - December 31	<u>\$ 75,711,842</u>	<u>\$ 67,433,306</u>

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 \$20,250,064, an increase of \$4,040,916 in comparison with the prior year. Unreserved fund balance of \$17,626,788 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 \$5,553,405. 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 34 percent of total General Fund expenditures. In 2004, ending fund balance in the General Fund decreased by \$136,119. The primary reason for this decrease was a slight increase in overall expenditures.

The Road and Bridge Special Revenue Fund's fund balance increased \$2,862,428 in 2004. The primary reason for this increase was the issuance of \$4,000,000 in State-Aid Road Bonds.

The Human Services Special Revenue Fund's fund balance increased \$216,703 from the prior year, due to higher-than-expected charges for services revenues and to lower-than-expected expenditures in 2004.

The Capital Equipment Special Revenue Fund's fund balance increased \$519,697 from the prior year, due primarily to the increase in miscellaneous revenues.

General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended budget were relatively minor (2.9 percent increase). Actual revenues exceeded budgeted revenues by \$958,532. The largest variances were attributed to taxes, intergovernmental revenue, and charges for services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The County's capital assets at December 31, 2004, totaled \$75,648,759 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$9,673,294, or 14.7 percent, from the previous year. The major events affecting this increase were: (1) additions to construction in progress for the County's infrastructure and County libraries totaling \$6,034,834; and (2) capitalization of County infrastructure (primarily for County State-Aid Highway roads) totaling \$3,405,183.

**Governmental Capital Assets
(Net of Depreciation)**

	2004	2003 (Restated)
Land	\$ 1,324,672	\$ 1,086,153
Construction in progress	7,645,438	1,610,604
Building	10,013,393	10,385,787
Machinery, vehicles, furniture, and equipment	3,299,661	2,932,509
Infrastructure	53,365,595	49,960,412
Total	\$ 75,648,759	\$ 65,975,465

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt and notes outstanding of \$12,808,322, 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 \$1,215,200 for outstanding debt of the East Central Solid Waste Commission, as described in the notes to the financial statements.

Outstanding Debt

	2004	2003 (Restated)
General obligation bonds	\$ 12,490,000	\$ 8,910,000
General obligation capital notes	318,322	464,153
Total	\$ 12,808,322	\$ 9,374,153

The County’s debt related to the above general obligation bonds and general obligation capital notes increased by \$3,434,169 (36.6 percent) during the fiscal year. The increase was due to the issuance of bonds for financing the County’s road construction and maintenance projects.

Minnesota statutes limit the amount of debt a county may levy to two percent of its total market value. At the end of 2004, Chisago County was well below the two percent debt limit imposed by state statutes.

Additional information on the County’s long-term debt can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

- Chisago County’s unemployment rate was 5.1 percent at the end of 2004. The statewide rate was 4.3 percent. The national rate was 5.1 percent.
- Mortgage interest rates continue to remain low, causing many people to refinance their mortgages.
- At the end of 2004, Chisago County approved its 2005 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.

This page was left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 1

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

	Primary Government Governmental Activities	Discretely Presented Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 23,040,412	\$ 6,740,598
Receivables - net	2,160,210	263,014
Due from component unit	173,506	-
Inventories	465,784	-
Advances to other governments	-	59,381
Advances to other agencies	186,111	-
Deferred charges	101,525	138,560
Land held for development	-	264,834
Capital lease receivable	-	4,669,669
Capital assets		
Non-depreciable capital assets	8,970,110	243,180
Depreciable capital assets - net of accumulated depreciation	66,678,649	3,444,944
Total Assets	\$ 101,776,307	\$ 15,824,180
<u>Liabilities</u>		
Accounts payable and other current liabilities	\$ 2,484,280	\$ 58,328
Accrued interest payable	184,445	213,202
Due to primary government	-	173,506
Security deposits	-	19,390
Unearned revenue	471,267	-
Short-term capital notes	1,500,000	-
Long-term liabilities		
Due within one year	3,509,140	613,500
Due in more than one year	17,915,333	13,374,595
Total Liabilities	\$ 26,064,465	\$ 14,452,521
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 63,633,124	\$ 332,124
Restricted for		
Highways and streets	91,241	-
Human services	186,111	-
Debt service	1,880,140	-
Land acquisition	-	449,104
Unrestricted	9,921,226	590,431
Total Net Assets	\$ 75,711,842	\$ 1,371,659

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 2

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

<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Fees Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Activities	Discretely Presented Component Unit
<u>Functions/Programs</u>					
Primary Government					
Governmental activities					
General government	\$ 8,428,734	\$ 2,877,935	\$ 1,008,940	\$ -	\$ (4,541,859)
Public safety	7,311,834	690,715	591,614	-	(6,029,505)
Highways and streets	6,907,163	186,175	1,606,137	6,467,398	1,352,547
Sanitation	180,781	138,972	48,453	-	6,644
Human services	10,077,664	479,492	5,266,142	-	(4,332,030)
Health	1,993,905	743,808	855,850	-	(394,247)
Culture and recreation	995,359	655,509	53,492	-	(286,358)
Conservation of natural resources	493,022	4,834	202,718	502,590	217,120
Economic development	925,765	408,745	-	-	(517,020)
Interest	764,906	-	-	-	(764,906)
Total Primary Government	<u>\$ 38,079,133</u>	<u>\$ 6,186,185</u>	<u>\$ 9,633,346</u>	<u>\$ 6,969,988</u>	<u>\$ (15,289,614)</u>
Component Unit					
HRA-EDA	<u>\$ 2,562,695</u>	<u>\$ 628,770</u>	<u>\$ 1,210,271</u>	<u>\$ 250,000</u>	<u>\$ (473,654)</u>
General Revenues					
Property taxes				\$ 18,538,769	\$ 477,676
Mortgage registry and deed tax				106,205	-
Grants and contributions not restricted to specific programs				4,187,118	-
Payments in lieu of taxes				225,773	-
Investment income				482,474	39,027
Miscellaneous				6	-
Other taxes				6,205	-
Gain on disposal of capital assets				21,600	-
Total general revenues				<u>\$ 23,568,150</u>	<u>\$ 516,703</u>
Change in net assets				<u>\$ 8,278,536</u>	<u>\$ 43,049</u>
Net Assets - January 1, restated				<u>67,433,306</u>	<u>1,328,610</u>
Net Assets - December 31				<u>\$ 75,711,842</u>	<u>\$ 1,371,659</u>

FUND FINANCIAL STATEMENTS

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 5,836,239	\$ 6,328,431
Petty cash and change funds	1,300	-
Undistributed cash in agency funds	186,588	47,581
Departmental cash	5,996	-
Taxes receivable		
Prior	298,815	99,541
Special assessments receivable		
Prior	-	-
Noncurrent	-	-
Accounts receivable	18,457	725
Accrued interest receivable	130,658	-
Due from other funds	19,719	-
Due from component unit	-	-
Due from other governments	102,140	856,616
Inventories	-	465,784
Advances to other agencies	-	-
	\$ 6,599,912	\$ 7,798,678

EXHIBIT 3

Human Services	Capital Equipment	Other Governmental Funds	Total Governmental Funds
\$ 3,031,422	\$ 3,316,258	\$ 4,173,027	\$ 22,685,377
-	-	-	1,300
71,046	26,791	34,309	366,315
-	-	-	5,996
136,732	51,023	45,057	631,168
-	-	31,090	31,090
-	-	84,570	84,570
174,889	-	13,013	207,084
-	-	-	130,658
-	-	-	19,719
-	-	173,506	173,506
116,884	-	-	1,075,640
-	-	-	465,784
186,111	-	-	186,111
\$ 3,717,084	\$ 3,394,072	\$ 4,554,572	\$ 26,064,318

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Cash overdraft	\$ -	\$ -
Accounts payable	356,544	201,920
Salaries payable	396,401	73,712
Contracts payable	-	311,032
Due to other funds	-	-
Due to other governments	98,843	21,359
Deferred revenue - unavailable	194,719	925,995
Deferred revenue - unearned	-	383,982
Capital equipment notes - short-term	-	-
Total Liabilities	\$ 1,046,507	\$ 1,918,000
Fund Balances		
Reserved for		
Encumbrances	\$ -	\$ 75,041
Inventories	-	465,784
Debt service	-	-
Advance to other agency	-	-
Driveway deposits	-	16,200
Unreserved, designated for		
Future expenditures	22,900	4,981,000
Cash flows	5,000,000	342,653
Medical insurance	18,500	-
Undesignated	512,005	-
Unreserved, reported in special revenue funds	-	-
Total Fund Balances	\$ 5,553,405	\$ 5,880,678
Total Liabilities and Fund Balances	\$ 6,599,912	\$ 7,798,678

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Capital Equipment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 18,576	\$ 18,576
433,432	125,968	19,938	1,137,802
202,251	-	3,677	676,041
-	-	154,930	465,962
19,719	-	-	19,719
85,397	295	829	206,723
98,456	36,076	62,918	1,318,164
-	-	87,285	471,267
-	1,500,000	-	1,500,000
<u>\$ 839,255</u>	<u>\$ 1,662,339</u>	<u>\$ 348,153</u>	<u>\$ 5,814,254</u>
\$ -	\$ -	\$ -	\$ 75,041
-	-	-	465,784
-	15,000	1,865,140	1,880,140
186,111	-	-	186,111
-	-	-	16,200
-	1,016,733	-	6,020,633
2,691,718	700,000	-	8,734,371
-	-	-	18,500
-	-	-	512,005
-	-	2,341,279	2,341,279
<u>\$ 2,877,829</u>	<u>\$ 1,731,733</u>	<u>\$ 4,206,419</u>	<u>\$ 20,250,064</u>
<u>\$ 3,717,084</u>	<u>\$ 3,394,072</u>	<u>\$ 4,554,572</u>	<u>\$ 26,064,318</u>

This page was left blank intentionally.

**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, 2004**

Fund balances - total governmental funds	\$	20,250,064
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		75,648,759
Deferred revenue is earned and must be recorded as revenue when it is earned regardless of availability.		1,318,164
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds - net of discount	\$ (12,427,537)	
Revenue bonds	(1,215,200)	
Notes payable	(318,322)	
Capital leases	(4,783,297)	
Compensated absences	(2,677,869)	
Accrued interest payable	(184,445)	
Deferred debt issuance charges	101,525	
	(21,505,145)	(21,505,145)
Net assets of governmental activities	\$	<u>75,711,842</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

	General	Road and Bridge
Revenues		
Taxes	\$ 9,014,463	\$ 2,752,531
Special assessments	-	-
Licenses and permits	852,603	-
Intergovernmental	3,209,283	11,377,099
Charges for services	2,232,921	231,334
Fines and forfeits	452,275	-
Gifts and contributions	8,595	-
Interest on investments	482,474	-
Miscellaneous	137	-
	\$ 16,252,751	\$ 14,360,964
Expenditures		
Current		
General government	\$ 7,281,129	\$ 154,178
Public safety	7,450,333	-
Highways and streets	-	14,835,606
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	315,920	-
Conservation of natural resources	376,373	-
Economic development	549,939	-
Intergovernmental	383,631	-
Capital outlay	-	-
Debt service		
Principal retirement	-	-
Interest and fiscal charges	-	52,711
Payment to escrow	-	-
	\$ 16,357,325	\$ 15,042,495
Excess of Revenues Over (Under) Expenditures	\$ (104,574)	\$ (681,531)
Other Financing Sources (Uses)		
Transfers in	\$ 23,000	\$ -
Transfers out	(54,545)	(627,296)
Bonds and notes issued	-	4,000,000
	\$ (31,545)	\$ 3,372,704
Net Change in Fund Balances	\$ (136,119)	\$ 2,691,173
Fund Balance - January 1	5,689,524	3,018,250
Increase (decrease) in reserved for inventories	-	171,255
Fund Balance - December 31	\$ 5,553,405	\$ 5,880,678

EXHIBIT 5

<u>Human Services</u>	<u>Capital Equipment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,975,199	\$ 1,556,206	\$ 1,392,992	\$ 18,691,391
-	-	596,693	596,693
-	-	6,360	858,963
7,027,981	204,084	399,745	22,218,192
1,075,884	-	461,129	4,001,268
-	-	-	452,275
-	-	-	8,595
-	-	-	482,474
147,416	423,115	1,584,908	2,155,576
\$ 12,226,480	\$ 2,183,405	\$ 4,441,827	\$ 49,465,427
\$ -	\$ 1,056,313	\$ 611,978	\$ 9,103,598
-	222,342	56,606	7,729,281
-	190,455	375,992	15,402,053
-	-	569,369	569,369
10,072,737	-	-	10,072,737
1,987,224	-	-	1,987,224
-	17,065	223,803	556,788
-	-	116,386	492,759
-	-	-	549,939
-	-	-	383,631
-	-	1,471,891	1,471,891
-	-	565,831	565,831
-	15,787	392,167	460,665
-	-	250,000	250,000
\$ 12,059,961	\$ 1,501,962	\$ 4,634,023	\$ 49,595,766
\$ 166,519	\$ 681,443	\$ (192,196)	\$ (130,339)
\$ 50,184	\$ -	\$ 819,289	\$ 892,473
-	(161,746)	(48,886)	(892,473)
-	-	-	4,000,000
\$ 50,184	\$ (161,746)	\$ 770,403	\$ 4,000,000
\$ 216,703	\$ 519,697	\$ 578,207	\$ 3,869,661
2,661,126	1,212,036	3,628,212	16,209,148
-	-	-	171,255
\$ 2,877,829	\$ 1,731,733	\$ 4,206,419	\$ 20,250,064

**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, 2004**

Net change in fund balances - total governmental funds **\$ 3,869,661**

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

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

Deferred revenue - December 31	\$ 1,318,164	
Deferred revenue - January 1	(3,165,610)	(1,847,446)

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	\$ 13,076,208	
Net book value of assets disposed of	(175,411)	
Current year depreciation	(3,227,503)	9,673,294

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 and capital leases)	\$ (5,260,291)	
Less discounts and issuance costs	58,474	(5,201,817)

Principal repayments		
Reported as debt service expenditures (bonds and notes)	\$ 565,831	
Reported as sanitation expenditures (revenue bonds)	399,000	
Reported as general government expenditures (capital lease)	586,966	
Reported as public safety expenditures (capital lease)	200,000	1,751,797

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	\$ (102,467)	
Change in compensated absences	(25,472)	
Amortization of discounts and deferred issuance charges	(10,269)	
Change in inventories	171,255	33,047

Change in net assets of governmental activities **\$ 8,278,536**

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 1

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 9,704,521	\$ 9,704,521	\$ 9,014,463	\$ (690,058)
Licenses and permits	699,850	699,850	852,603	152,753
Intergovernmental	2,063,374	2,063,374	3,209,283	1,145,909
Charges for services	1,846,974	1,846,974	2,232,921	385,947
Fines and forfeits	357,000	357,000	452,275	95,275
Gifts and contributions	-	-	8,595	8,595
Investment earnings	450,000	450,000	482,474	32,474
Miscellaneous	172,500	172,500	137	(172,363)
Total Revenues	\$ 15,294,219	\$ 15,294,219	\$ 16,252,751	\$ 958,532
Expenditures				
Current				
General government				
Commissioners	\$ 243,112	\$ 243,112	\$ 245,807	\$ (2,695)
Courts	863,987	863,987	790,504	73,483
Court services	-	-	2,344	(2,344)
Law library	33,000	84,485	38,690	45,795
County administration	359,568	359,568	365,222	(5,654)
County auditor	273,512	273,512	267,706	5,806
County treasurer	199,579	199,579	191,427	8,152
County assessor	551,216	551,216	545,472	5,744
Elections	22,000	37,970	42,198	(4,228)
Data processing	1,668,067	1,689,067	1,537,140	151,927
Central services	205,500	205,500	150,776	54,724
Attorney	803,349	822,487	820,012	2,475
Recorder	301,257	348,739	295,931	52,808
Planning and zoning	742,209	742,209	611,118	131,091
Maintenance	306,818	306,818	279,103	27,715
Switchboard	36,496	36,496	38,662	(2,166)
Veterans service officer	46,219	57,766	58,318	(552)
Cost allocation	8,000	16,300	16,000	300
Other general government	1,128,701	1,265,599	984,699	280,900
Total general government	\$ 7,792,590	\$ 8,104,410	\$ 7,281,129	\$ 823,281

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 1
(Continued)

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

	<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	\$ 2,757,337	\$ 2,757,337	\$ 2,846,057	\$ (88,720)
Boat and water safety	34,563	34,563	13,965	20,598
Coroner	71,207	71,207	80,434	(9,227)
E-911 system	58,700	58,700	-	58,700
Law enforcement center	2,401,467	2,401,467	2,966,179	(564,712)
Caseload reduction	62,754	62,754	48,653	14,101
Sentence to serve	48,750	48,750	24,375	24,375
Jail canteen fund	-	8,583	19,228	(10,645)
Victim assistance	-	-	78,534	(78,534)
Probation and parole	437,714	437,714	512,190	(74,476)
Juvenile restitution	-	-	713	(713)
Electronic monitoring	19,184	19,184	17,046	2,138
DARE program	-	19,989	21,132	(1,143)
Explorer fund	-	4,724	-	4,724
Civil defense	47,919	47,919	107,633	(59,714)
Other public safety	595,042	675,097	714,194	(39,097)
Total public safety	\$ 6,534,637	\$ 6,647,988	\$ 7,450,333	\$ (802,345)
Culture and recreation				
Historical society	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Parks	214,895	214,895	222,960	(8,065)
Senior citizens	30,000	30,000	30,000	-
Regional library	-	-	1,272	(1,272)
Other	39,821	39,821	41,688	(1,867)
Total culture and recreation	\$ 304,716	\$ 304,716	\$ 315,920	\$ (11,204)
Conservation of natural resources				
Cooperative extension	\$ 137,968	\$ 137,968	\$ 127,232	\$ 10,736
Soil and water conservation	47,500	47,500	47,500	-
Agricultural inspections	9,812	9,812	8,651	1,161
Agricultural society/County fair	12,000	12,000	17,850	(5,850)
Oak wilt program	3,500	3,500	11,063	(7,563)
Water planning	59,787	85,859	63,958	21,901
Wetland challenge	69,644	69,644	78,723	(9,079)
Other	24,683	25,298	21,396	3,902
Total conservation of natural resources	\$ 364,894	\$ 391,581	\$ 376,373	\$ 15,208

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 1
(Continued)

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

	<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	\$ 67,762	\$ 67,762	\$ 57,440	\$ 10,322
Other	369,620	369,620	492,499	(122,879)
Total economic development	\$ 437,382	\$ 437,382	\$ 549,939	\$ (112,557)
Intergovernmental				
Library	\$ 385,000	\$ 385,000	\$ 383,631	\$ 1,369
Total Expenditures	\$ 15,819,219	\$ 16,271,077	\$ 16,357,325	\$ (86,248)
Excess of Revenues Over (Under)				
Expenditures	\$ (525,000)	\$ (976,858)	\$ (104,574)	\$ 872,284
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 23,000	\$ 23,000
Transfers out	-	-	(54,545)	(54,545)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (31,545)	\$ (31,545)
Net Change in Fund Balance	\$ (525,000)	\$ (976,858)	\$ (136,119)	\$ 840,739
Fund Balance - January 1	5,689,524	5,689,524	5,689,524	-
Fund Balance - December 31	\$ 5,164,524	\$ 4,712,666	\$ 5,553,405	\$ 840,739

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 2

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,988,027	\$ 2,988,027	\$ 2,752,531	\$ (235,496)
Intergovernmental	8,354,383	8,354,383	11,377,099	3,022,716
Charges for services	120,000	120,000	231,334	111,334
Total Revenues	\$ 11,462,410	\$ 11,462,410	\$ 14,360,964	\$ 2,898,554
Expenditures				
Current				
General government				
Surveyor	\$ 142,855	\$ 142,855	\$ 154,178	\$ (11,323)
Highways and streets				
Administration	\$ 718,466	\$ 718,466	\$ 879,645	\$ (161,179)
Engineering	644,527	644,527	1,353,018	(708,491)
Maintenance	1,960,662	1,960,662	1,756,947	203,715
Construction	8,790,200	8,790,200	10,116,217	(1,326,017)
Equipment maintenance and shop	632,582	632,582	729,779	(97,197)
Total highways and streets	\$ 12,746,437	\$ 12,746,437	\$ 14,835,606	\$ (2,089,169)
Debt service				
Interest and fiscal charges	\$ -	\$ -	\$ 52,711	\$ (52,711)
Total Expenditures	\$ 12,889,292	\$ 12,889,292	\$ 15,042,495	\$ (2,153,203)
Excess of Revenues Over (Under) Expenditures	\$ (1,426,882)	\$ (1,426,882)	\$ (681,531)	\$ 745,351
Other Financing Sources (Uses)				
Transfers out	\$ (626,118)	\$ (626,118)	\$ (627,296)	\$ (1,178)
Bonds issued	-	-	4,000,000	4,000,000
Total Other Financing Sources (Uses)	\$ (626,118)	\$ (626,118)	\$ 3,372,704	\$ 3,998,822
Net Change in Fund Balance	\$ (2,053,000)	\$ (2,053,000)	\$ 2,691,173	\$ 4,744,173
Fund Balance - January 1	3,018,250	3,018,250	3,018,250	-
Increase (decrease) in reserved for inventories	-	-	171,255	171,255
Fund Balance - December 31	\$ 965,250	\$ 965,250	\$ 5,880,678	\$ 4,915,428

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 3

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,880,699	\$ 4,880,699	\$ 3,975,199	\$ (905,500)
Intergovernmental	6,895,511	6,995,511	7,027,981	32,470
Charges for services	792,973	792,973	1,075,884	282,911
Miscellaneous	140,600	140,600	147,416	6,816
Total Revenues	\$ 12,709,783	\$ 12,809,783	\$ 12,226,480	\$ (583,303)
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,391,611	\$ 2,391,611	\$ 1,910,687	\$ 480,924
Social services	8,070,084	8,170,084	8,162,050	8,034
Total human services	\$ 10,461,695	\$ 10,561,695	\$ 10,072,737	\$ 488,958
Health				
Nursing service	\$ 2,043,658	\$ 2,043,658	\$ 1,750,933	\$ 292,725
Maternal and child health	204,430	204,430	236,291	(31,861)
Total health	\$ 2,248,088	\$ 2,248,088	\$ 1,987,224	\$ 260,864
Total Expenditures	\$ 12,709,783	\$ 12,809,783	\$ 12,059,961	\$ 749,822
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 166,519	\$ 166,519
Other Financing Sources (Uses)				
Transfers in	-	-	50,184	50,184
Net Change in Fund Balance	\$ -	\$ -	\$ 216,703	\$ 216,703
Fund Balance - January 1	2,661,126	2,661,126	2,661,126	-
Fund Balance - December 31	\$ 2,661,126	\$ 2,661,126	\$ 2,877,829	\$ 216,703

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 4

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,541,607	\$ 1,541,607	\$ 1,556,206	\$ 14,599
Intergovernmental	153,226	153,226	204,084	50,858
Miscellaneous	-	-	423,115	423,115
Total Revenues	\$ 1,694,833	\$ 1,694,833	\$ 2,183,405	\$ 488,572
Expenditures				
Current				
General government				
Courts	\$ -	\$ -	\$ 2,181	\$ (2,181)
Elections	5,775	5,775	-	5,775
Data processing	1,255,000	1,255,000	580,360	674,640
Central services	40,000	40,000	473,772	(433,772)
Total general government	\$ 1,300,775	\$ 1,300,775	\$ 1,056,313	\$ 244,462
Public safety				
Sheriff	\$ 206,000	\$ 206,000	\$ 219,003	\$ (13,003)
Law enforcement center	-	-	3,339	(3,339)
Total public safety	\$ 206,000	\$ 206,000	\$ 222,342	\$ (16,342)
Highways and streets				
Administration	\$ 446,129	\$ 446,129	\$ 190,455	\$ 255,674
Culture and recreation				
Parks	\$ 20,000	\$ 20,000	\$ 17,065	\$ 2,935
Debt service				
Bonds and note issuance costs	\$ -	\$ -	\$ 15,787	\$ (15,787)
Total Expenditures	\$ 1,972,904	\$ 1,972,904	\$ 1,501,962	\$ 470,942
Excess of Revenues Over (Under) Expenditures	\$ (278,071)	\$ (278,071)	\$ 681,443	\$ 959,514
Other Financing Sources (Uses)				
Transfers out	(194,833)	(194,833)	(161,746)	33,087
Net Change in Fund Balance	\$ (472,904)	\$ (472,904)	\$ 519,697	\$ 992,601
Fund Balance - January 1	1,212,036	1,212,036	1,212,036	-
Fund Balance - December 31	\$ 739,132	\$ 739,132	\$ 1,731,733	\$ 992,601

CHISAGO COUNTY
CENTER CITY, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	<u>\$ 1,512,689</u>
<u>Liabilities</u>	
Accounts payable	\$ 183
Deferred benefits	31,886
Due to other governments	<u>1,480,620</u>
Total Liabilities	<u>\$ 1,512,689</u>

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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 which are 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 that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are 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 separate columns 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 Capital Equipment Special Revenue Fund is used to account for the acquisition of certain equipment which is financed through the tax levy.

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Chisago County considers all revenues to be available if they are 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 to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2004 were \$482,474.

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 on May 15 and the second half payment due October 15.

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

3. Inventories 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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 that are 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.

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

9. Use of Estimates (Continued)

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.

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues

2. Intergovernmental (Continued)

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.

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

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 \$109,368 as of December 31, 2004, although four 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:

9 ditches with positive balances	\$ 110,248
4 ditches with deficit balances	<u>(880)</u>
Net Fund Balance	<u>\$ 109,368</u>

C. Prior Period Adjustment

Net assets at January 1, 2004, have been restated to reflect unrecorded transactions consisting of: (1) a note payable in the amount of \$279,153 and (2) a capital asset with a net book value of \$350,260. The net effect of these changes increased net assets at January 1, 2004, by \$71,107.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government	
Cash and pooled investments	\$ 23,040,412
Agency funds	1,512,689
Less	
Departmental cash	(5,996)
Petty cash and change funds	(1,300)
	<hr/>
Total Cash and Investments	\$ 24,545,805

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. At December 31, 2004, the carrying amount of the County's deposits totaled \$4,512,601. The bank balance deposit amount was \$5,014,230. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

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

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 563,106
Collateralized with securities held by the pledging financial institution's agent in the County's name	4,451,124
Uncollateralized	<hr/> -
Total	\$ 5,014,230

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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

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

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

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ -	\$ -	\$ 10,180,204	\$ 10,180,204
Negotiable certificates of deposit	586,428	-	-	586,428
Commercial paper	5,274,519	-	-	5,274,519
Total Investments	\$ 5,860,947	\$ -	\$ 10,180,204	\$ 16,041,151
Add				
MAGIC Fund				3,992,053
Cash on hand				(362,957)
Savings account				50,000
Certificates of deposit				4,825,558
Total Cash and Investments				\$ 24,545,805

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2004, 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	\$ 631,168	\$ -
Special assessments	115,660	84,570
Due from other governments	1,075,640	-
Accounts	207,084	-
Interest	130,658	-
Total Governmental Activities	\$ 2,160,210	\$ 84,570

3. Capital Assets

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

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,086,153	\$ 238,519	\$ -	\$ 1,324,672
Construction in progress	1,610,604	7,490,677	1,455,843	7,645,438
Total capital assets not depreciated	\$ 2,696,757	\$ 7,729,196	\$ 1,455,843	\$ 8,970,110
Capital assets depreciated				
Buildings	\$ 16,205,887	\$ -	\$ -	\$ 16,205,887
Machinery, furniture, and equipment	8,432,381	1,475,706	700,256	9,207,831
Infrastructure	58,162,279	5,327,149	-	63,489,428
Total capital assets depreciated	\$ 82,800,547	\$ 6,802,855	\$ 700,256	\$ 88,903,146

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 5,820,100	\$ 372,394	\$ -	\$ 6,192,494
Machinery, furniture, and equipment	5,499,872	933,143	524,845	5,908,170
Infrastructure	<u>8,201,867</u>	<u>1,921,966</u>	<u>-</u>	<u>10,123,833</u>
 Total accumulated depreciation	 <u>\$ 19,521,839</u>	 <u>\$ 3,227,503</u>	 <u>\$ 524,845</u>	 <u>\$ 22,224,497</u>
 Total capital assets depreciated, net	 <u>\$ 63,278,708</u>	 <u>\$ 3,575,352</u>	 <u>\$ 175,411</u>	 <u>\$ 66,678,649</u>
 Capital Assets, Net	 <u>\$ 65,975,465</u>	 <u>\$ 11,304,548</u>	 <u>\$ 1,631,254</u>	 <u>\$ 75,648,759</u>

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

Governmental Activities	
General government	\$ 371,402
Public safety	242,866
Highways and streets, including depreciation of infrastructure assets	2,288,572
Human services	4,183
Sanitation	10,214
Culture and recreation	<u>310,266</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 3,227,503</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 19,719

2. Interfund Transfers

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

Transfers to General Fund from other governmental funds	\$ 23,000	Solid waste fees
Transfers to Human Services Fund from General Fund	50,184	Transfer activities to designated fund
Transfers to other governmental funds from General Fund	4,361	Transfer activities to designated fund
Transfer to other governmental funds from Road and Bridge Fund	627,296	Provide funds for repayment of debt
Transfers to other governmental funds from Capital Equipment Fund	161,746	Provide funds for repayment of debt
Transfers to nonmajor governmental funds from other nonmajor governmental funds	25,886	Provide funds for repayment of debt
Total Interfund Transfers	\$ 892,473	

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2004, were as follows:

	Governmental Activities
Accounts	\$ 1,135,554
Salaries	676,041
Contracts	465,962
Due to other governments	206,723
Total Payables	\$ 2,484,280

2. Construction Commitments

Chisago County had the following active construction projects at December 31, 2004 (amounts in thousands):

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Community libraries	\$ 738	\$ 4,332
Roads and bridges	6,069	2,028

3. Capital Equipment Note - Short-Term Debt

The County issued \$1,500,000 of capital equipment note in 2004. The proceeds of the notes are to be used to acquire capital equipment. The entire principal is due in 2005, with interest at one percent. The debt is reported in the Capital Equipment Special Revenue Fund.

4. Capital Leases

The County has entered into three capital lease agreements for: (1) energy improvements to County buildings, (2) an AS/400 computer system, and (3) 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

4. Capital Leases (Continued)

The building improvements and computer system 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
1994 Honeywell energy improvements	2005	Monthly	\$ 4,759	\$ 571,043	\$ 22,928
2004 IBM AS/400 computer	2007	Monthly	3,786	136,292	90,700
Buildings and libraries	2026	Annually	Various	10,720,000	4,669,669
Total Capital Leases					<u>\$ 4,783,297</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004, were as follows:

Year Ending December 31	Governmental Activities
2005	\$ 1,144,606
2006	1,359,026
2007	1,488,427
2008	1,484,511
2009	1,412,832
2010 and beyond	<u>8,771,337</u>
Total minimum lease payments	\$ 15,660,739
Less	
Amount representing interest	(4,827,111)
Amount representing cash with escrow	<u>(6,050,331)</u>
Present Value of Minimum Lease Payments	<u>\$ 4,783,297</u>

5. 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

5. 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, 2004, are as follows:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Balance December 31, 2004
General Obligation Bonds					
1994 Nursing Home Revenue Bonds	2010	\$20,000- \$45,000	4.25- 6.40	\$ 490,000	\$ 245,000
2001 Capital Improvement Bonds	2016	\$240,000- \$455,000	3.50- 4.75	5,000,000	4,250,000
2002A Capital Improvement Bonds	2018	\$50,000- \$90,000	4.40- 4.90	1,000,000	950,000
2002C Refunding Bonds	2008	\$85,000- \$160,000	2.10- 4.20	560,000	325,000
2002D Capital Notes	2005	\$85,000- \$95,000	3.15- 3.50	270,000	95,000
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	720,000
2003 Capital Note	2008	\$55,831	3.60	279,153	223,322
2004A State-Aid Road Bonds	2014	\$365,000- \$450,000	1.50- 3.30	4,000,000	4,000,000
Total General Obligation Bonds				<u>\$ 14,319,153</u>	\$ 12,808,322
Less: unamortized discount					<u>(60,213)</u>
Total Bonds and Notes, Net					<u>\$ 12,748,109</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2005	\$ 870,000	\$ 459,100	\$ 150,831	\$ 9,814
2006	890,000	401,194	55,831	6,114
2007	920,000	374,534	55,831	4,076
2008	935,000	345,779	55,829	2,043
2009	890,000	315,785	-	-
2010-2014	6,765,000	880,366	-	-
2015-2018	1,220,000	76,045	-	-
Total	<u>\$ 12,490,000</u>	<u>\$ 2,852,803</u>	<u>\$ 318,322</u>	<u>\$ 22,047</u>

7. Changes in Long-Term Liabilities

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

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 8,910,000	\$ 4,000,000	\$ 420,000	\$ 12,490,000	\$ 870,000
Capital notes	464,153	-	145,831	318,322	150,831
East Central Solid Waste Commission (Note 5.C.)	1,614,200	-	399,000	1,215,200	431,200
Less: deferred amounts for issuance discounts	(45,809)	(18,169)	(3,763)	(60,215)	-
Total bonds and notes payable	<u>\$ 10,942,544</u>	<u>\$ 3,981,831</u>	<u>\$ 961,068</u>	<u>\$ 13,963,307</u>	<u>\$ 1,452,031</u>
Capital leases	4,309,972	1,260,291	786,966	4,783,297	1,144,606
Compensated absences	<u>2,652,397</u>	<u>25,472</u>	<u>-</u>	<u>2,677,869</u>	<u>912,503</u>
Long-Term Liabilities	<u>\$ 17,904,913</u>	<u>\$ 5,267,594</u>	<u>\$ 1,748,034</u>	<u>\$ 21,424,473</u>	<u>\$ 3,509,140</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. 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. Plan Description (Continued)

For 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 web at mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

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

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

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

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
	<u> </u>	<u> </u>	<u> </u>
2004	\$ 621,347	\$ 190,596	\$ 56,383
2003	553,072	167,410	51,759
2002	508,051	92,609	43,615

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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 the MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2003 and 2004. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

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

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 2004, the County collected premiums of \$174,791 from County departments. For 2004, claims and administrative costs paid were \$179,201.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

	Year Ended December 31	
	2004	2003
Asset (liability) at January 1	\$ 22,971	\$ 23,516
Current year premiums	174,791	187,088
Claims payments	(179,201)	(187,633)
Asset (Liability) at December 31	\$ 18,561	\$ 22,971

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.

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 fund equity of \$4,523,403, including retained earnings of \$1,990,134 as of December 31, 2003 (the latest information available).

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Chisago Lakes Joint Sewage Treatment Commission (Continued)

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.

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 \$4,135,000 in long-term bonds outstanding.

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
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

East Central Solid Waste Commission (Continued)

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 \$1,223,600.

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 \$459,335 for 2004.

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 Board comprises 18 members-one county board member and two appointees from each county.

The Library's financial statements for the year ended December 31, 2003, (the latest information available) show total assets of \$894,391, total liabilities of \$232,157, and total fund equity of \$662,234.

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:

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Nursing Home Lease Agreement (Continued)

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

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity (Continued)

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

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

2. Basic Financial Statements

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

3. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Measurement Focus and Basis of Accounting (Continued)

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

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

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Assets

Deposits and Investments (Continued)

Investments of the HRA-EDA are reported at fair value.

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 asset's 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
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. At December 31, 2004, the carrying amount of the HRA-EDA's deposits totaled \$443,266, of which \$15,701 was cash deposits and \$427,565 was invested in certificates of deposit. The bank deposit amount was \$450,450. Minnesota statutes require that all HRA-EDA deposits be covered by insurance, surety bond, or collateral.

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

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the HRA-EDA or its agent in the HRA-EDA's name	\$ 450,450
Uncollateralized	<u>-</u>
Total	<u>\$ 450,450</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits and Investments (Continued)

Generally accepted accounting principles have determined three levels of custodial credit risk for investments:

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

The following is a summary of the fair value of the HRA-EDA's investments, categorized into the aforementioned levels of risk, at December 31, 2004.

	Category			Fair Value
	1	2	3	
Cash with escrow agent	\$ 6,293,366	\$ -	\$ -	\$ 6,293,366
Add				
MAGIC Fund				3,906
Petty cash				60
Certificates of deposit				427,565
Savings deposits				4,503
Checking deposits				11,198
Total Cash and Investments				\$ 6,740,598

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:

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

2. Receivables (Continued)

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 585,000	\$ 490,383
2006	855,000	458,596
2007	1,070,000	414,641
2008	1,120,000	364,511
2009	1,100,000	312,832
2010 and beyond	<u>5,990,000</u>	<u>2,781,337</u>
Total payments	\$ 10,720,000	<u>\$ 4,822,300</u>
Less: cash with escrow agent	<u>(6,050,331)</u>	
Lease Receivable at December 31, 2004	<u>\$ 4,669,669</u>	

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, 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	\$ -	\$ -	\$ 243,180
Construction in progress	<u>712,071</u>	<u>-</u>	<u>712,071</u>	<u>-</u>
Total capital assets not depreciated	<u>\$ 955,251</u>	<u>\$ -</u>	<u>\$ 712,071</u>	<u>\$ 243,180</u>
Capital assets depreciated				
Buildings and structures	\$ 1,486,252	\$ 2,173,997	\$ -	\$ 3,660,249
Furniture and equipment	<u>6,889</u>	<u>5,235</u>	<u>-</u>	<u>12,124</u>
Total capital assets depreciated	<u>\$ 1,493,141</u>	<u>\$ 2,179,232</u>	<u>\$ -</u>	<u>\$ 3,672,373</u>
Less: accumulated depreciation for				
Buildings and structures	\$ 167,962	\$ 54,508	\$ -	\$ 222,470
Furniture and equipment	<u>3,680</u>	<u>1,279</u>	<u>-</u>	<u>4,959</u>
Total accumulated depreciation	<u>\$ 171,642</u>	<u>\$ 55,787</u>	<u>\$ -</u>	<u>\$ 227,429</u>
Total capital assets depreciated, net	<u>\$ 1,321,499</u>	<u>\$ 2,123,445</u>	<u>\$ -</u>	<u>\$ 3,444,944</u>
Total Capital Assets, Net	<u>\$ 2,276,750</u>	<u>\$ 2,123,445</u>	<u>\$ 712,071</u>	<u>\$ 3,688,124</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

3. Capital Assets (Continued)

Depreciation expense was charged as follows:

Housing and Economic Development	<u>\$ 55,787</u>
----------------------------------	------------------

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. During the year, the HRA-EDA issued Public Project Revenue Bonds, Series 2004A. The \$6,740,000 issuance proceeds are being used to construct library buildings in North Branch, Wyoming, and Chisago Lakes, as well as to acquire an existing library in Rush City. These bonds vary in length of time and amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	Amount
\$6,740,000 Public Project Revenue Bonds, Series 2004A, due in annual installments of \$55,000 to \$510,000 through 2026; interest from 3.95 to 5.15 percent.	\$ 6,740,000
\$2,000,000 Housing Development Bonds, Series 2003, due in annual installments ranging from \$35,000 to \$135,000 through 2033; interest from 3.25 to 5.00 percent.	2,000,000
\$1,450,000 Gross Revenue Bonds, Series 1997, due in annual installments of \$10,000 to \$110,000 through 2027; interest from 5.00 to 6.50 percent	1,385,000
\$3,795,000 Housing and Redevelopment Authority Lease Revenue Bonds, Series 1997, due in annual installments of \$400,000 to \$570,000 through 2005; interest from 4.50 to 4.90 percent	3,595,000
\$1,245,000 Lease Revenue Refunding Bonds, Series 2002, due in annual installments of \$385,000 to \$425,000 through 2005; interest from 3.00 to 4.00 percent.	<u>385,000</u>
Total General Obligation Bonds	<u>\$ 14,105,000</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

4. Long-Term Debt

General Obligation Bonds (Continued)

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

Year Ending December 31	Principal	Interest
2005	\$ 610,000	\$ 671,595
2006	885,000	638,434
2007	1,135,000	592,228
2008	1,190,000	539,209
2009	1,170,000	484,231
2010 - 2014	1,795,000	2,095,802
2015 - 2019	2,285,000	1,625,091
2020 - 2024	2,960,000	963,977
2025 - 2029	1,575,000	263,879
2030 - 2033	500,000	51,750
Total	<u>\$ 14,105,000</u>	<u>\$ 7,926,196</u>

Mortgage Note

The HRA-EDA obtained a \$100,000 mortgage note March 1, 2002, for the purchase of an office building. The note was retired on August 30, 2004.

Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
G.O. lease revenue	\$ 4,615,000	\$ -	\$ 635,000	\$ 3,980,000	\$ 585,000
G.O. gross revenue	1,410,000	-	25,000	1,385,000	25,000
G.O. development	2,000,000	-	-	2,000,000	-
G.O. public project	-	6,740,000	-	6,740,000	-
Mortgage note	94,926	-	94,926	-	-
Compensated absences	4,226	2,773	-	6,999	3,500
Less: discount	(47,698)	(77,943)	1,737	(123,904)	-
Long-Term Liabilities	<u>\$ 8,076,454</u>	<u>\$ 6,664,830</u>	<u>\$ 753,189</u>	<u>\$ 13,988,095</u>	<u>\$ 613,500</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, 2004, was \$102,717.

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>2004 Contributions</u>	<u>Percent of Covered Payroll</u>
Employer	\$ 5,136	5%
Employee	-	-

As of December 31, 2004, and for the year then ended, the SEP held no securities issued by the HRA-EDA or other related parties.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

C. Other Information (Continued)

3. Subsequent Event

On July 6, 2005, the HRA-EDA issued \$2,445,000 General Obligation Housing Development Bonds Series, 2005A, to construct a senior housing center in Rush City and to refund Southfield Estates revenue bonds. The amount for the senior housing project was \$1,090,000 and the amount for refunding the Southfield Estates revenue bonds was \$1,355,000.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUND

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

	Special Revenue				
	County Building	Parks	Ditch	Lake Improvement District	South Sewer District
Assets					
Cash and pooled investments	\$ 403,025	\$ 842,924	\$ 109,223	\$ 255,803	\$ 5,325
Undistributed cash in agency funds	2,474	-	145	3,773	-
Taxes receivable					
Prior	5,064	-	-	5,736	-
Special assessments receivable					
Prior	-	-	421	-	15
Noncurrent	-	-	-	15,925	68,645
Accounts receivable	13,013	-	-	-	-
Due from component unit	-	-	-	-	-
Total Assets	\$ 423,576	\$ 842,924	\$ 109,789	\$ 281,237	\$ 73,985
Liabilities and Fund Balances					
Liabilities					
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	4,931	129	-	3,767	-
Salaries payable	-	-	-	-	-
Contracts payable	-	-	-	-	-
Due to other governments	9	-	-	-	-
Deferred revenue - unavailable	3,683	-	421	3,631	15
Deferred revenue - unearned	-	-	-	15,925	68,645
Total Liabilities	\$ 8,623	\$ 129	\$ 421	\$ 23,323	\$ 68,660
Fund Balances					
Reserved for					
Debt service	\$ -	\$ -	\$ -	\$ 142,000	\$ 5,000
Unreserved					
Designated for future expenditures	403,000	842,000	109,000	113,000	-
Undesignated	11,953	795	368	2,914	325
Total Fund Balances	\$ 414,953	\$ 842,795	\$ 109,368	\$ 257,914	\$ 5,325
Total Liabilities and Fund Balances	\$ 423,576	\$ 842,924	\$ 109,789	\$ 281,237	\$ 73,985

Statement 1

Funds				Building Debt Service Fund	Library Capital Projects Fund	Total
Nursing Home	Solid Waste	Forfeited Tax Sale	Missing Heirs			
\$ 256,761	\$ 605,766	\$ 3,166	\$ 99	\$ 1,690,935	\$ -	\$ 4,173,027
-	10,455	-	-	17,462	-	34,309
-	-	-	-	34,257	-	45,057
-	30,654	-	-	-	-	31,090
-	-	-	-	-	-	84,570
-	-	-	-	-	-	13,013
-	-	-	-	-	173,506	173,506
\$ 256,761	\$ 646,875	\$ 3,166	\$ 99	\$ 1,742,654	\$ 173,506	\$ 4,554,572
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,576	\$ 18,576
-	11,111	-	-	-	-	19,938
-	3,677	-	-	-	-	3,677
-	-	-	-	-	154,930	154,930
-	820	-	-	-	-	829
-	30,654	-	-	24,514	-	62,918
-	2,715	-	-	-	-	87,285
\$ -	\$ 48,977	\$ -	\$ -	\$ 24,514	\$ 173,506	\$ 348,153
\$ -	\$ -	\$ -	\$ -	\$ 1,718,140	\$ -	\$ 1,865,140
256,761	597,898	-	-	-	-	2,321,659
-	-	3,166	99	-	-	19,620
\$ 256,761	\$ 597,898	\$ 3,166	\$ 99	\$ 1,718,140	\$ -	\$ 4,206,419
\$ 256,761	\$ 646,875	\$ 3,166	\$ 99	\$ 1,742,654	\$ 173,506	\$ 4,554,572

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

	<u>County Building</u>	<u>Parks</u>	<u>Ditch</u>	<u>Lake Improvement District</u>	<u>Special Revenue South Sewer District</u>
Revenues					
Taxes	\$ 143,312	\$ -	\$ -	\$ 232,947	\$ -
Special assessments	-	-	7,377	219	62,832
Licenses and permits	-	-	-	-	-
Intergovernmental	21,778	101,055	-	21,206	-
Charges for services	-	408,000	-	-	40,474
Miscellaneous	14,513	-	-	-	-
Total Revenues	\$ 179,603	\$ 509,055	\$ 7,377	\$ 254,372	\$ 103,306
Expenditures					
Current					
General government	\$ 128,619	\$ -	\$ -	\$ -	\$ -
Public safety	56,606	-	-	-	-
Highways and streets	18,742	-	-	-	-
Sanitation	-	-	-	-	46,731
Culture and recreation	-	223,803	-	-	-
Conservation of natural resources	-	-	13,800	102,586	-
Capital outlay	-	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	75,000
Interest and fiscal charges	-	-	-	374	14,670
Payment to escrow	-	-	-	-	-
Total Expenditures	\$ 203,967	\$ 223,803	\$ 13,800	\$ 102,960	\$ 136,401
Excess of Revenues Over (Under) Expenditures	\$ (24,364)	\$ 285,252	\$ (6,423)	\$ 151,412	\$ (33,095)
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ 4,361	\$ -	\$ -	\$ -
Transfers out	(25,886)	-	-	-	-
Total Other Financing Sources (Uses)	\$ (25,886)	\$ 4,361	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ (50,250)	\$ 289,613	\$ (6,423)	\$ 151,412	\$ (33,095)
Fund Balance - January 1	465,203	553,182	115,791	106,502	38,420
Fund Balance - December 31	\$ 414,953	\$ 842,795	\$ 109,368	\$ 257,914	\$ 5,325

Statement 2

Funds				Building Debt Service Fund	Library Capital Projects Fund	Total
Nursing Home	Solid Waste	Forfeited Tax Sale	Missing Heirs			
\$ -	\$ -	\$ 385	\$ -	\$ 1,016,348	\$ -	\$ 1,392,992
-	526,265	-	-	-	-	596,693
-	6,360	-	-	-	-	6,360
-	149,966	-	-	105,740	-	399,745
-	12,655	-	-	-	-	461,129
-	98,498	-	-	6	1,471,891	1,584,908
\$ -	\$ 793,744	\$ 385	\$ -	\$ 1,122,094	\$ 1,471,891	\$ 4,441,827
\$ 46,720	\$ -	\$ -	\$ -	\$ 436,639	\$ -	\$ 611,978
-	-	-	-	-	-	56,606
-	-	-	-	357,250	-	375,992
-	522,638	-	-	-	-	569,369
-	-	-	-	-	-	223,803
-	-	-	-	-	-	116,386
-	-	-	-	-	1,471,891	1,471,891
35,000	-	-	-	455,831	-	565,831
16,115	-	-	-	361,008	-	392,167
-	-	-	-	250,000	-	250,000
\$ 97,835	\$ 522,638	\$ -	\$ -	\$ 1,860,728	\$ 1,471,891	\$ 4,634,023
\$ (97,835)	\$ 271,106	\$ 385	\$ -	\$ (738,634)	\$ -	\$ (192,196)
\$ -	\$ -	\$ -	\$ -	\$ 814,928	\$ -	\$ 819,289
-	(23,000)	-	-	-	-	(48,886)
\$ -	\$ (23,000)	\$ -	\$ -	\$ 814,928	\$ -	\$ 770,403
\$ (97,835)	\$ 248,106	\$ 385	\$ -	\$ 76,294	\$ -	\$ 578,207
354,596	349,792	2,781	99	1,641,846	-	3,628,212
\$ 256,761	\$ 597,898	\$ 3,166	\$ 99	\$ 1,718,140	\$ -	\$ 4,206,419

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 5

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 155,799	\$ 155,799	\$ 143,312	\$ (12,487)
Intergovernmental	6,883	6,883	21,778	14,895
Miscellaneous	-	-	14,513	14,513
Total Revenues	\$ 162,682	\$ 162,682	\$ 179,603	\$ 16,921
Expenditures				
Current				
General government				
Other	\$ 60,000	\$ 60,000	\$ 128,619	\$ (68,619)
Public safety				
Other	-	-	56,606	(56,606)
Highways and streets				
Other	-	-	18,742	(18,742)
Total Expenditures	\$ 60,000	\$ 60,000	\$ 203,967	\$ (143,967)
Excess of Revenues Over (Under) Expenditures	\$ 102,682	\$ 102,682	\$ (24,364)	\$ (127,046)
Other Financing Sources (Uses)				
Transfers out	(102,682)	(102,682)	(25,886)	76,796
Net Change in Fund Balance	\$ -	\$ -	\$ (50,250)	\$ (50,250)
Fund Balance - January 1	465,203	465,203	465,203	-
Fund Balance - December 31	\$ 465,203	\$ 465,203	\$ 414,953	\$ (50,250)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 6

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 101,055	\$ 101,055
Charges for services	150,000	150,000	408,000	258,000
Total Revenues	\$ 150,000	\$ 150,000	\$ 509,055	\$ 359,055
Expenditures				
Current				
Culture and recreation				
Parks	\$ 150,000	\$ 150,000	\$ 122,619	\$ 27,381
Other	-	-	101,184	(101,184)
Total Expenditures	\$ 150,000	\$ 150,000	\$ 223,803	\$ (73,803)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 285,252	\$ 285,252
Other Financing Sources (Uses)				
Transfers in	-	-	4,361	4,361
Net Change in Fund Balance	\$ -	\$ -	\$ 289,613	\$ 289,613
Fund Balance - January 1	553,182	553,182	553,182	-
Fund Balance - December 31	\$ 553,182	\$ 553,182	\$ 842,795	\$ 289,613

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 7

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 8,000	\$ 8,000	\$ 7,377	\$ (623)
Expenditures				
Current				
Conservation of natural resources				
Other	8,000	8,000	13,800	(5,800)
Net Change in Fund Balance	\$ -	\$ -	\$ (6,423)	\$ (6,423)
Fund Balance - January 1	<u>115,791</u>	<u>115,791</u>	<u>115,791</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 115,791</u>	<u>\$ 115,791</u>	<u>\$ 109,368</u>	<u>\$ (6,423)</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
LAKE IMPROVEMENT DISTRICT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 250,000	\$ 250,000	\$ 232,947	\$ (17,053)
Special assessments	-	-	219	219
Intergovernmental	-	-	21,206	21,206
Total Revenues	\$ 250,000	\$ 250,000	\$ 254,372	\$ 4,372
Expenditures				
Current				
Conservation of natural resources				
Other	\$ 250,000	\$ 250,000	\$ 102,586	\$ 147,414
Debt service				
Fiscal charges	-	-	374	(374)
Total Expenditures	\$ 250,000	\$ 250,000	\$ 102,960	\$ 147,040
Net Change in Fund Balance	\$ -	\$ -	\$ 151,412	\$ 151,412
Fund Balance - January 1	106,502	106,502	106,502	-
Fund Balance - December 31	\$ 106,502	\$ 106,502	\$ 257,914	\$ 151,412

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
SOUTH SEWER DISTRICT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 39,452	\$ 39,452	\$ 62,832	\$ 23,380
Charges for services	66,177	66,177	40,474	(25,703)
Total Revenues	\$ 105,629	\$ 105,629	\$ 103,306	\$ (2,323)
Expenditures				
Current				
Sanitation				
Other	\$ 38,172	\$ 38,172	\$ 46,731	\$ (8,559)
Debt service				
Principal retirement	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Interest	14,670	14,670	14,670	-
Total debt service	\$ 89,670	\$ 89,670	\$ 89,670	\$ -
Total Expenditures	\$ 127,842	\$ 127,842	\$ 136,401	\$ (8,559)
Net Change in Fund Balance	\$ (22,213)	\$ (22,213)	\$ (33,095)	\$ (10,882)
Fund Balance - January 1	38,420	38,420	38,420	-
Fund Balance - December 31	\$ 16,207	\$ 16,207	\$ 5,325	\$ (10,882)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 10

**BUDGETARY COMPARISON SCHEDULE
NURSING HOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 120,000	\$ 120,000	\$ -	\$ (120,000)
Expenditures				
Current				
General government				
Other	\$ 72,000	\$ 72,000	\$ 46,720	\$ 25,280
Debt service				
Principal retirement	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Interest	16,115	16,115	16,115	-
Total debt service	<u>\$ 51,115</u>	<u>\$ 51,115</u>	<u>\$ 51,115</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 123,115</u>	<u>\$ 123,115</u>	<u>\$ 97,835</u>	<u>\$ 25,280</u>
Net Change in Fund Balance	<u>\$ (3,115)</u>	<u>\$ (3,115)</u>	<u>\$ (97,835)</u>	<u>\$ (94,720)</u>
Fund Balance - January 1	<u>354,596</u>	<u>354,596</u>	<u>354,596</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 351,481</u></u>	<u><u>\$ 351,481</u></u>	<u><u>\$ 256,761</u></u>	<u><u>\$ (94,720)</u></u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 11

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 515,000	\$ 515,000	\$ 526,265	\$ 11,265
Licenses and permits	4,100	4,100	6,360	2,260
Intergovernmental	120,000	120,000	149,966	29,966
Charges for services	10,500	10,500	12,655	2,155
Miscellaneous	-	-	98,498	98,498
Total Revenues	\$ 649,600	\$ 649,600	\$ 793,744	\$ 144,144
Expenditures				
Current				
Sanitation				
Solid waste	\$ -	\$ -	\$ 494	\$ (494)
Recycling	138,017	138,017	99,073	38,944
Hazardous waste	165,851	165,851	159,342	6,509
Other	278,203	278,203	263,729	14,474
Total sanitation	\$ 582,071	\$ 582,071	\$ 522,638	\$ 59,433
Excess of Revenues Over (Under) Expenditures	\$ 67,529	\$ 67,529	\$ 271,106	\$ 203,577
Other Financing Sources (Uses)				
Transfers out	(23,000)	(23,000)	(23,000)	-
Net Change in Fund Balance	\$ 44,529	\$ 44,529	\$ 248,106	\$ 203,577
Fund Balance - January 1	349,792	349,792	349,792	-
Fund Balance - December 31	\$ 394,321	\$ 394,321	\$ 597,898	\$ 203,577

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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

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

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

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

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Statement 3

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>EMPLOYEE RECOGNITION</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 149	\$ 3,418	\$ 3,384	\$ 183
<u>Liabilities</u>				
Accounts payable	\$ 149	\$ 3,418	\$ 3,384	\$ 183
 <u>FLEXIBLE BENEFITS PLAN</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 31,945	\$ 162,341	\$ 162,400	\$ 31,886
<u>Liabilities</u>				
Deferred benefits	\$ 31,945	\$ 162,341	\$ 162,400	\$ 31,886
 <u>REGION 7E</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 69,041	\$ 69,041	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 69,041	\$ 69,041	\$ -

**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, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 12,181,319	\$ 12,181,319	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 12,181,319	\$ 12,181,319	\$ -
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 525,509	\$ 51,023,350	\$ 51,032,684	\$ 516,175
<u>Liabilities</u>				
Unapportioned taxes	\$ -	\$ 353,280	\$ 353,280	\$ -
Unapportioned special assessments	-	10,600	10,600	-
Due to other governments	525,509	50,659,286	50,668,620	516,175
Total Liabilities	\$ 525,509	\$ 51,023,166	\$ 51,032,500	\$ 516,175
 <u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 15,510,104	\$ 15,510,104	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 15,510,104	\$ 15,510,104	\$ -

**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, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 434,787	\$ 4,754,542	\$ 4,424,566	\$ 764,763
<u>Liabilities</u>				
Due to other funds	\$ -	\$ 2,435	\$ 2,435	\$ -
Due to other governments	434,787	4,752,291	4,422,315	764,763
Total Liabilities	\$ 434,787	\$ 4,754,726	\$ 4,424,750	\$ 764,763
 <u>LOCAL COLLABORATIVES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 276,932	\$ 335,975	\$ 413,225	\$ 199,682
<u>Liabilities</u>				
Due to other governments	\$ 276,932	\$ 335,975	\$ 413,225	\$ 199,682
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,269,322	\$ 84,040,090	\$ 83,796,723	\$ 1,512,689
<u>Liabilities</u>				
Accounts payable	\$ 149	\$ 3,418	\$ 3,384	\$ 183
Unapportioned taxes	-	353,280	353,280	-
Unapportioned special assesments	-	10,600	10,600	-
Due to other funds	-	2,435	2,435	-
Deferred benefits	31,945	162,341	162,400	31,886
Due to other governments	1,237,228	83,508,016	83,264,624	1,480,620
Total Liabilities	\$ 1,269,322	\$ 84,040,090	\$ 83,796,723	\$ 1,512,689

This page was left blank intentionally.

SUPPORTING SCHEDULES

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 12

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2004**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Deposits and Investments			
Checking accounts			
Mainstreet Bank	-		\$ 16,788
Lake Area Security Bank	-		(379,745)
Total checking accounts			\$ (362,957)
Savings account			
Community National Bank	Variable		\$ 50,000
Mutual funds			
Cadre Financial Services (MAGIC Fund)	Variable		\$ 3,992,053
Commercial paper			
Miller Johnson Steichen Kinnard	2.33		\$ 2,490,130
Miller Johnson Steichen Kinnard	2.40		2,485,000
Wachovia Securities	2.40		299,389
Total commercial paper			\$ 5,274,519
Certificates of deposit - bank			
Mainstreet Bank	1.40	-	\$ 11,899
First State Bank, Rush City	Variable	-	51,929
First State Bank, Wyoming	Variable	-	51,998
First State Bank, Wyoming	Variable	December 9, 2006	5,000
First State Bank, Wyoming	Variable	April 11, 2007	90,000
First State Bank, Wyoming	3.00	September 7, 2006	23,201
FNB Hudson	Variable	-	52,340
FNB Hudson	5.00	-	24,570
Town & Country Bank, Almelund	Variable	May 15, 2006	5,000
Town & Country Bank, Almelund	Variable	-	50,000
Lake Area Security Bank	Variable	-	51,986
Lake Area Security Bank	Variable	-	1,000,000
River Bank	1.34	-	52,000
River Bank	2.50	March 12, 2003	630,635
River Bank	2.77	April 9, 2003	600,000
River Bank	Variable	-	100,000
River Bank	1.50	-	25,000
River Bank	2.08	-	2,000,000
Total certificates of deposit - bank			\$ 4,825,558
Certificates of deposit - brokered			
Prudential Bache Securities - 33744HJP0R	5.00	September 12, 2006	\$ 96,000
Prudential Bache Securities - 47816HAW7R	3.00	April 30, 2009	98,637
Prudential Bache Securities - 553036BQ6R	4.00	December 20, 2012	96,000
Prudential Bache Securities - 990002NU7R	5.50	March 6, 2007	100,000
Prudential Bache Securities - 990002XH5R	5.20	September 20, 2006	100,000
Prudential Bache Securities - 94675PBL4R	3.00	July 8, 2013	95,791
Total certificates of deposit - brokered			\$ 586,428

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**Schedule 12
(Continued)**

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2004**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Deposits and Investments (Continued)			
U.S. government securities			
Miller Johnson Steichen Kinnard	3.00	June 26, 2013	\$ 198,126
FHLB - 31339XBK9C	3.00	June 19, 2013	303,967
FHLB - 31339XJ88C	3.00	June 26, 2013	295,869
FHLB - 31339XPB4C	2.38	December 30, 2008	322,446
FHLB - 31339XPMOC	2.75	December 30, 2008	493,690
FHLB - 31339XZW7C	3.00	July 16, 2013	120,966
FHLB - 31339YLD2C	2.00	July 29, 2008	747,128
FHLB - 31339YX56C	2.50	August 13, 2008	992,990
FHLB - 3133MYX93C	2.75	December 5, 2008	247,260
FHLB - 3133MYZT7C	3.00	June 12, 2013	392,344
FHLB - 3133X07B9C	3.00	August 20, 2008	499,020
FHLB - 3133X3L92C	3.00	August 19, 2009	397,548
FHLB - 3133X4BG5C	2.50	September 10, 2007	298,053
FHLB - 3133X4GJ4C	2.50	September 17, 2007	845,758
FHLB - 3133X4TM3C	3.00	March 30, 2010	148,292
FHLB - 3133X53P1C	2.00	April 7, 2008	246,357
FHLB - 3133X6CB0C	2.50	April 30, 2007	198,080
FHLB - 3133X6HM1C	3.00	May 12, 2009	298,404
FHLB - 3133X7TL8C	2.25	January 26, 2007	144,907
FHLB - 3133X7WF70C	2.00	February 9, 2007	297,990
FHLB - 3133X7X90C	2.00	August 10, 2007	298,791
FHLB - 3133X86S6C	2.00	February 25, 2008	199,180
FHLB - 3133X8UZ3C	2.00	October 12, 2007	248,397
FHLB - 3133X8Y55C	2.00	October 27, 2006	149,184
FHLB - 3133X93N8C	2.50	November 9, 2007	347,676
FHLB - 3133X9PK0C	2.37	December 15, 2006	746,467
FHLB - 3133X9X470C	2.75	June 29, 2007	399,804
FHLB - 3133XMYU6C	2.50	December 5, 2006	301,510
Total U.S. government securities			\$ 10,180,204
Total Deposits and Investments			\$ 24,545,805

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 13

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

	Taxes Payable in Year					
	2003		2004		2005	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 27,752,056		\$ 32,785,061		\$ 38,948,094	
Personal property	822,030		834,117		864,912	
Total Tax Capacity	\$ 28,574,086		\$ 33,619,178		\$ 39,813,006	
Taxes Levied for County Purposes						
County Revenue	\$ 9,613,371	29.140	\$ 10,211,975	27.628	\$ 11,640,636	27.397
Road and Bridge	3,323,464	10.086	3,375,210	9.131	3,492,760	8.084
Road and Bridge Bonds	-	-	-	-	607,686	1.567
Welfare	4,661,944	14.115	4,880,699	13.205	4,880,699	11.487
Building Repair	163,000	0.496	60,000	0.162	80,000	0.188
Building Repair Bonds	-	-	102,682	0.314	93,100	0.240
Regional Library*	375,000	1.371	385,000	1.197	450,891	1.181
Courthouse Addition Bonds	148,000	0.532	148,000	0.452	-	-
Library Bonds	-	-	250,000	0.777	531,396	1.392
Capital Equipment Notes	1,403,158	5.041	1,694,833	5.180	1,896,663	4.891
Highway Building Bonds	695,618	2.499	708,330	2.165	802,000	2.068
Total Levy for County Purposes	\$ 20,383,555	63.280	\$ 21,816,729	60.211	\$ 24,475,831	58.495
Less Credits Payable by State	4,552,141		3,872,517		3,503,811	
Net Levy for County Purposes	\$ 15,831,414		\$ 17,944,212		\$ 20,972,020	
Market Value - Light and Power						
Transmission lines	\$ 4,300,900		\$ 4,432,100		\$ 4,599,100	
Distribution lines	919,900		948,000		983,800	
Total Market Value - Light and Power	\$ 5,220,800		\$ 5,380,100		\$ 5,582,900	
Tax Capacity - Light and Power						
Transmission lines	\$ 86,018		\$ 88,642		\$ 91,982	
Distribution lines	18,398		18,960		19,676	
Total Tax Capacity - Light and Power	\$ 104,416		\$ 107,602		\$ 111,658	

*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					
	2003		2004		2005	
	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	\$ 3,366	0.07828	\$ 2,788	0.06291	\$ 2,760	0.06000
Distribution lines - market value	720	0.07828	596	0.06291	590	0.06000
Transmission lines - tax capacity	117,600	136.715	114,402	129.061	113,192	123.061
Distribution lines - tax capacity	25,152	136.715	24,470	129.061	24,214	123.061
Total Light and Power Tax Levies	<u>\$ 146,838</u>		<u>\$ 142,256</u>		<u>\$ 140,756</u>	
Special Assessments						
Ditch liens, fees, and assessments	<u>\$ 497,394</u>		<u>\$ 517,249</u>		<u>\$ 455,563</u>	
Percentage of Tax Collections for All Purposes	97.83%		97.83%			

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2004**

	Assets			
	Cash	Special Assessments Receivable		Total
		Unapportioned	Delinquent	
Judicial Ditch				
2	\$ (33)	\$ -	\$ -	\$ (33)
County Ditches				
1	(395)	-	-	(395)
2	6,190	12	3	6,205
3	17,892	1	20	17,913
4	1,042	-	-	1,042
5	32,937	-	-	32,937
6	9,060	6	41	9,107
7	17,291	96	89	17,476
8	(393)	-	-	(393)
9	3,641	4	227	3,872
10	16,094	15	41	16,150
11	(59)	-	-	(59)
14	5,956	11	-	5,967
Total	\$ 109,223	\$ 145	\$ 421	\$ 109,789

Schedule 14

<u>Liabilities Deferred Revenue</u>	<u>Designated</u>	<u>Fund Balances</u>		<u>Total</u>	<u>Total Liabilities and Fund Balances</u>
		<u>Undesignated</u>			
\$ -	\$ -	\$ (33)	\$ (33)	\$ (33)	\$ (33)
-	-	(395)	(395)	(395)	(395)
3	6,128	74	6,202	6,205	6,205
20	17,713	180	17,893	17,913	17,913
-	1,032	10	1,042	1,042	1,042
-	32,607	330	32,937	32,937	32,937
41	8,969	97	9,066	9,107	9,107
89	17,118	269	17,387	17,476	17,476
-	-	(393)	(393)	(393)	(393)
227	3,605	40	3,645	3,872	3,872
41	15,933	176	16,109	16,150	16,150
-	-	(59)	(59)	(59)	(59)
-	5,895	72	5,967	5,967	5,967
<u>\$ 421</u>	<u>\$ 109,000</u>	<u>\$ 368</u>	<u>\$ 109,368</u>	<u>\$ 109,789</u>	<u>\$ 109,789</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 15

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

Shared Revenue

State

Highway users tax	\$	5,424,603
HACA		2,125,403
Market value credit		1,773,614
Mobile home MVC		27,543
PERA rate reimbursement		48,855
Disparity reduction aid		4,985
Police aid		167,409
Enhanced 911		60,302
		60,302

Total Shared Revenue **\$ 9,632,714**

Reimbursement for Services

Minnesota Department of Human Services	\$	2,814,269
		2,814,269

Payments

Local

Local contributions	\$	255,171
Payments in lieu of taxes		225,773
		225,773

Total Payments **\$ 480,944**

Grants

State

Minnesota Department/Board of		
Education	\$	4,657
Corrections		237,458
Public Safety		22,991
Transportation		115,331
Health		546,322
Natural Resources		101,205
Human Services		1,942,531
Soil and Water Resources		53,492
Office of Environmental Assistance		101,513
Peace Officer's Board		12,176
Pollution Control Agency		60,000
Miscellaneous boards		789,506
		789,506

Total State **\$ 3,987,182**

Federal

Department of		
Agriculture	\$	95,783
Justice		63,002
Transportation		4,198,399
Energy		6,186
Health and Human Services		802,290
Homeland Security		137,423
		137,423

Total Federal **\$ 5,303,083**

Total State and Federal Grants **\$ 9,290,265**

Total Intergovernmental Revenue **\$ 22,218,192**

This page was left blank intentionally.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 16

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of Chisago County.
- B. Two reportable conditions in internal control were disclosed by the audit of financial statements of Chisago County and are reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The two reportable conditions are not 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 program 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 program 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 program is:
 - Highway Planning and Construction
 - CFDA No. 20.205
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Chisago County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-3 Segregation of Duties

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

Client's Response:

Due to the limited number of office personnel within the County Sheriff's Office, the County Recorder's Office, and the County Planning and Zoning Office (Environmental Services), segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Chisago County; however, the County is aware of this condition. We realize that this is not desirable and will take measures to increase staff when funding is available.

ITEM ARISING THIS YEAR

04-1 Sheriff's Office - Prisoners' Accounts

The Sheriff's Office maintains a checking account used to record funds received and disbursed on behalf of prisoners. Funds received from prisoners are used to pay for booking fees, room and board, medical co-pays, prescriptions, canteen items, and Huber payments (if eligible). Amounts owing to the County from these collections are remitted monthly to the County Auditor. Amounts owing to prisoners are returned to them when they are released.

Our review found that Sheriff's staff were unable to reconcile the prisoners' cash balances on hand with the checking account balance. This condition could be due, in part, to the accounting system used to record prisoner transactions. Prisoner records are

maintained using a real-time system, which prevents the retrieval of information from previous periods. Therefore, accounting information must be printed regularly in order to maintain history on prisoner transactions.

We recommend that reports on prisoner transactions be printed monthly. The reports should be used to reconcile with bank statements and serve as the basis for determining amounts due the County Auditor. We also recommend that these records be maintained as a permanent record of prisoner activity. The Sheriff's staff should resolve the unreconciled differences as soon as possible. We are available throughout the year to provide assistance, if requested.

Client's Response:

Thank you for the information and clarification of the Sheriff's Office Prisoners' Account. I know this account has been in a state of uncertainty for the past two years. Due to staff problems with the Jail Account position, we were unable to replace this position while the Jail Accountant was on a medical leave. This created an enormous staff problem for us in the jail. In the past year, we have been able to replace the position with a new employee. With that new employee, and a new Jail Administrator taking over the jail, I am confident this account, as well as others, will be reconciled. I am currently checking on the status of progress to accomplish this task. It has been noted as a high priority project.

When we are up to date with the account, I would request the service of the State Auditor's Office to come in and review the accounts and offer suggestions for future procedures with all the jail accounts that we deal with.

If you require specific details of the progress that is being made and a projected time line to accomplish this, please contact the Sheriff's Office.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

04-2 Recreation Equipment Purchases

A County Commissioner, under the name Chisago County Recreation, currently runs baseball and softball leagues for teams throughout the County. In 2002, the County Board passed a resolution providing for \$4,000 to be used for recreation supplies and equipment. We were informed that this \$4,000 was to be used for the Commissioner's leagues. Additional \$4,000 amounts were included in the Parks Department's 2003 and 2004 budgets.

In 2003 and 2004, the Commissioner ordered equipment needed for his leagues. The County paid for the equipment, and the County Board approved the transactions. The equipment purchased by the County was placed in County facilities, as was equipment purchased by the Commissioner. No agreement was in place indicating how the equipment was to be used or who owned the equipment. It is our understanding that this situation evolved informally as a way to operate recreational leagues and the County no longer provides equipment for the Commissioner's leagues.

Minn. Stat. § 382.18 provides that no county official shall be directly or indirectly interested in any contract to which the county is a party or in the purchase of any property. Under Minn. Stat. §§ 471.87-.89, a county may contract with an interested commissioner if competitive bids are not required and the county and commissioner follow prescribed procedures. Because the Commissioner had an interest in the County purchases and the appropriate procedures were not followed, the purchases were in violation of Minnesota law.

The State Auditor's Office recommends that County purchases be based on the needs of the County. In addition, the State Auditor's Office recommends that the County have written contracts defining the terms of any recreational services it receives pursuant to Minn. Stat. § 471.16. If the County wishes to contract with the Commissioner, the standards and procedures of Minn. Stat. §§ 471.87-.89 must be followed.

Client's Response

Any future Chisago County purchase will be based on the needs of the County, not one particular company. In addition, Chisago County will have written contracts defining the terms of any recreational services it receives pursuant to Minn. Stat. § 471.16. If Chisago County wishes to contract with an elected party, the standards and procedures of Minn. Stat. §§ 471.87-.89 will be followed.

Also, an inventory will be taken of the equipment purchased with the funds in question. We will also ensure that the purchased equipment will be made available to all County interests.

This page was left blank intentionally.



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Chisago County

We have audited the financial statements of Chisago County as of and for the year ended December 31, 2004, and have issued our report thereon dated July 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal

control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions indicated above are not 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 04-2.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: July 22, 2005



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Chisago County

Compliance

We have audited the compliance of Chisago County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. Chisago County's major federal program is 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 its major federal program 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 its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Chisago County as of and for the year ended December 31, 2004, and have issued our report thereon dated July 22, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: July 22, 2005

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 17

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

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	\$ 91,181
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	4,602
Total U.S. Department of Agriculture		\$ 95,783
U.S. Department of Justice		
Passed Through Minnesota Supreme Court Juvenile Accountability Incentive Block Grant	16.523	\$ 44,756
Passed Through Minnesota Department of Public Safety Crime Victim Assistance Grant	16.575	18,246
Total U.S. Department of Justice		\$ 63,002
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 4,160,161
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	38,238
Total U.S. Department of Transportation		\$ 4,198,399
U.S. Department of Energy		
Passed Through Minnesota Pollution Control Agency Regional Biomass Energy Programs	81.079	\$ 6,186
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Education Child Care Mandatory and Matching Funds	93.596	\$ 14,902
Passed Through Minnesota Department of Health Immunization Grant	93.268	2,400
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	61,387
Maternal and Child Health Services Block Grant	93.994	48,171

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

*Schedule 17
(Continued)*

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families	93.558	202,494
Child Welfare Services - State Grants	93.645	6,330
Foster Care Title IV-E	93.658	149,902
Social Services Block Grant Title XX	93.667	283,406
Chafee Foster Care Independent Living	93.674	22,823
Community Mental Health Services Block Grant	93.958	10,475
Total U.S. Department of Health and Human Services		\$ 802,290
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	\$ 115,200
Emergency Management Performance Grants	97.042	17,973
State and Local All Hazards Emergency Operations Planning	97.051	4,250
Total U.S. Department of Homeland Security		\$ 137,423
Total Federal Awards		\$ 5,303,083

Notes to Schedule of Expenditures of Federal Awards

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