

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

**CHISAGO COUNTY HOUSING AND
REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, 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.

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**CHISAGO COUNTY HOUSING AND
REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

Year Ended December 31, 2004



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

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**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

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**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

ORGANIZATION
2004

	<u>Title</u>	<u>Term Expires</u>
Board of Commissioners		
Jim Ertz	Chair	May 2006
Jim Stein	Vice Chair	May 2005
Mark Zaruba (resigned June 30, 2004)		May 2007
Greg Berg		January 2008
Dean Perry		January 2007
Martin English		May 2007
Executive Officers		
Chris Eng	Executive Director	Indefinite
Lee Olson	Treasurer	January 2006

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PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Chisago County Housing and Redevelopment Authority
Economic Development Authority

We have audited the accompanying basic financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority, a component unit of Chisago County, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Chisago County Housing and Redevelopment Authority Economic Development Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chisago County Housing and Redevelopment Authority Economic Development Authority as of December 31, 2004, and the respective changes in financial position and cash flows 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 an opinion on the financial statements that comprise the Chisago County Housing and Redevelopment Authority Economic Development Authority's basic financial statements. The supplementary information listed in the table of contents is presented for the purpose of additional analysis 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 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 a report dated July 15, 2005, on our consideration of the Chisago County Housing and Redevelopment Authority Economic Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: July 15, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004
(Unaudited)

As management of the Chisago County Housing and Redevelopment Authority Economic Development Authority (HRA-EDA), we offer readers of the HRA-EDA financial statements this narrative overview and analysis of the financial activities of the HRA-EDA for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the HRA-EDA's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

The HRA-EDA's total net assets increased by \$43,049 in 2004. This is attributable primarily to non-operating activities.

At the close of 2004, the HRA-EDA's reported net assets were \$1,371,659. There are three components that comprise this balance: capital assets net of related debt of \$332,124; net assets restricted for land acquisition of \$449,104; and unrestricted net assets of \$590,431. Capital assets net of related debt decreased by \$439,863. Net assets restricted for land acquisition increased by \$262,624, and unrestricted net assets increased by \$220,288 in comparison with the prior year. The unrestricted net assets are available for spending at the HRA-EDA's discretion.

The HRA-EDA's total debt increased by \$5,908,868, or 73 percent, from the previous year. The key factor in this increase was the issuance of Public Project Revenue Bonds (Library), Series 2004A.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the HRA-EDA's basic financial statements. The financial statements report information about the HRA-EDA using full accrual accounting methods as utilized by similar business activities in the private sector.

The basic financial statements include: a statement of net assets; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; and the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The statement of net assets presents information on all of the HRA-EDA'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 the HRA-EDA is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets 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 statement of cash flows presents information on the inflows and outflows of cash resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

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

In addition to the basic financial statements and notes, the HRA-EDA also provides supplementary information on revenues and expenses by program and bond and interest maturities.

Financial Analysis

Over time, net assets serve as a useful indicator of the HRA-EDA's financial position. The HRA-EDA's assets exceeded liabilities by \$1,371,659 at the close of 2004.

The HRA-EDA has issued debt on behalf of Chisago County. The corresponding asset related to that debt is recorded on the HRA-EDA's books as a lease receivable.

NET ASSETS

	2004	2003
Assets		
Current and other assets	\$ 12,136,056	\$ 7,638,533
Capital assets	3,688,124	2,276,750
Total Assets	\$ 15,824,180	\$ 9,915,283
Liabilities		
Current and other liabilities	\$ 1,077,926	\$ 1,175,507
Long-term liabilities	13,374,595	7,411,166
Total Liabilities	\$ 14,452,521	\$ 8,586,673
Net Assets		
Capital assets - net of related debt	\$ 332,124	\$ 771,987
Restricted of land acquisition	449,104	186,480
Unrestricted	590,431	370,143
Total Net Assets	\$ 1,371,659	\$ 1,328,610

CHANGE IN NET ASSETS

The HRA-EDA's activities increased net assets by \$43,049, or three percent.

	2004	2003
Revenues		
Operating revenue	\$ 292,070	\$ 280,731
Nonoperating revenue	2,313,674	1,149,278
Total Revenues	\$ 2,605,744	\$ 1,430,009
Expenses		
Depreciation expense	\$ 55,787	\$ 31,186
Other operating expenses	564,875	289,417
Nonoperating expense	1,942,033	337,453
Total Expenses	\$ 2,562,695	\$ 658,056
Increase in Net Assets	\$ 43,049	\$ 771,953
Net Assets - January 1	1,328,610	556,657
Net Assets - December 31	\$ 1,371,659	\$ 1,328,610

General Trends and Significant Events

During 2004, the HRA-EDA: (1) issued \$6,740,000 of Public Project Revenue Bonds on behalf of Chisago County for the construction and acquisition of various library facilities, (2) completed construction of a senior housing development in Center City, and (3) retired the mortgage note on the HRA-EDA office building.

Capital Asset and Debt Administration

Capital assets. The HRA-EDA's investment in capital assets totaled \$3,688,124 at December 31, 2004 (net of accumulated depreciation). The investment in capital assets includes land, buildings, and equipment. The total increase in the HRA-EDA's investment in capital assets for the year was \$1,411,374, or 62 percent. The major capital asset event in 2004 involved the completion of a senior housing complex in Center City.

CAPITAL ASSETS (Net of Depreciation)

	<u>2004</u>	<u>2003</u>
Land and land improvements	\$ 243,180	\$ 243,180
Buildings	3,437,779	1,318,290
Furniture and equipment	7,165	3,209
Construction in progress	<u>-</u>	<u>712,071</u>
Total	<u>\$ 3,688,124</u>	<u>\$ 2,276,750</u>

Additional information on the HRA-EDA'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 HRA-EDA had total general obligation (G.O.) bonded debt outstanding of \$13,981,096, which is backed by the full faith and credit of the government.

LONG-TERM DEBT

	<u>2004</u>	<u>2003</u>
Mortgage note	\$ -	\$ 94,926
G.O. Lease Revenue Bonds	3,980,000	4,615,000
G.O. Public Project Bonds	6,662,058	-
G.O. Gross Revenue Bonds	1,368,038	1,392,302
G.O. Housing Development Bonds	<u>1,971,000</u>	<u>1,970,000</u>
Total	<u>\$ 13,981,096</u>	<u>\$ 8,072,228</u>

The HRA-EDA's debt related to general obligation bonds increased by \$5,908,868 (73 percent) during the fiscal year, due primarily to the issuance of \$6,740,000 of Public Project Revenue Bonds, Series 2004A. Offsetting scheduled debt payments accounted for the remaining changes to outstanding debt.

Minnesota statutes limit the amount of debt that the HRA-EDA may levy to two percent of Chisago County's total market value. As of the end of 2004, the HRA-EDA is well below the two percent debt limit imposed by state statutes.

Additional information on the HRA-EDA'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 have been extremely low causing many people to refinance their mortgages.

At the end of 2004, the HRA-EDA set its 2005 revenue and expenditure budgets.

Requests for Information

This annual financial report is designed to provide a general overview of the HRA-EDA's finances for all those with an interest in the HRA-EDA'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 Housing and Redevelopment Authority-Economic Development Authority, P.O. Box 410, 38883 - 7th Avenue, North Branch, Minnesota 55056.

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BASIC FINANCIAL STATEMENTS

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**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

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

Assets

Current assets

Cash and pooled investments	\$	447,172
Petty cash and change funds		60
Cash with escrow agent		6,293,366
Accounts receivable - net		93,718
Leases receivable - current		585,000
Due from other governments		169,296
		169,296

Total current assets **\$ 7,588,612**

Noncurrent assets

Advance to other governments	\$	59,381
Land held for resale		264,834
Deferred debt issuance costs		138,560
Leases receivable - long-term		4,084,669
Capital assets		
Nondepreciable		243,180
Depreciable - net		3,444,944
		3,444,944

Total noncurrent assets **\$ 8,235,568**

Total Assets **\$ 15,824,180**

Liabilities

Current liabilities

Accounts payable	\$	7,654
Salaries payable		1,316
Compensated absences payable - current		3,500
Contracts payable		47,550
Accrued interest payable		213,202
Security deposits		19,390
Bonds payable - current		610,000
Due to Chisago County		173,506
Due to other governments		1,808
		1,808

Total current liabilities **\$ 1,077,926**

Noncurrent liabilities

Compensated absences payable - long-term	\$	3,499
Bonds payable - long-term		13,371,096
		13,371,096

Total noncurrent liabilities **\$ 13,374,595**

Total Liabilities **\$ 14,452,521**

Net Assets

Invested in capital assets - net of related debt	\$	332,124
Restricted for land acquisition		449,104
Unrestricted		590,431
		590,431

Total Net Assets **\$ 1,371,659**

**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Operating Revenues	
Charges for services	\$ 77,463
Rental income	207,064
Other	7,543
	<hr/>
Total Operating Revenues	\$ 292,070
Operating Expenses	
Personal services	\$ 132,890
Professional services	52,854
Contracted services	2,498
General maintenance services	129,194
Administration and fiscal services	7,567
Other services and charges	47,293
Supplies	12,844
Director and staff reimbursed expenses	4,020
Board expenses	3,238
Telephone	2,046
Utilities	20,875
Advertising	15,453
Insurance	26,053
Staff training	646
Licenses and dues	900
Postage	759
Miscellaneous	33,101
TIF expenses	10,396
MHFA program expense	62,248
Depreciation	55,787
	<hr/>
Total Operating Expenses	\$ 620,662
Operating Income (Loss)	\$ (328,592)
Nonoperating Revenues (Expenses)	
Property taxes	\$ 477,676
Intergovernmental revenue	1,210,271
Interest income	39,027
Interest on lease receivable	244,489
Miscellaneous revenue	92,211
Gifts and contributions	250,000
Intergovernmental expense	(1,375,128)
Interest expense	(566,905)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 371,641
Change in Net Assets	\$ 43,049
Net Assets - January 1	1,328,610
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Net Assets - December 31	\$ 1,371,659

**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 642,585
Payments to suppliers	(371,514)
Payments to employees	(129,375)
Cash from other sources	92,211
	<hr/>
Net cash provided by (used in) operating activities	\$ 233,907
Cash Flows from Noncapital Financing Activities	
Property tax receipts	\$ 477,676
Intergovernmental receipts	1,210,271
Disbursements resulting in leases receivable	(1,070,608)
Amounts repayable to Chisago County	173,506
Intergovernmental disbursements	(1,375,128)
	<hr/>
Net cash provided by (used in) noncapital financing activities	\$ (584,283)
Cash Flows from Capital and Related Financing Activities	
Contributions	\$ 250,000
Advances received from other governments	45,000
Bonds issued	6,740,000
Deferred debt issuance cost	(66,489)
Premium (discount) on bonds issued	(77,943)
Accrued interest on bonds issued	1,764
Principal paid on bonds and notes	(754,926)
Interest paid on bonds and notes	(461,610)
Purchases of capital assets	(1,848,363)
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Net cash provided by (used in) capital and related financing activities	\$ 3,827,433
Cash Flows from Investing Activities	
Acquisition of land held for resale	\$ (33,663)
Investment earnings received	37,263
Interest on lease receivable	244,489
	<hr/>
Net cash provided by (used in) investing activities	\$ 248,089
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 3,725,146
Cash and Cash Equivalents - January 1	3,015,452
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Cash and Cash Equivalents - December 31	\$ 6,740,598
	<hr/>
Cash and Cash Equivalents - Statement of Net Assets	
Cash and pooled investments	\$ 447,172
Petty cash and change funds	60
Cash held with escrow agent	6,293,366
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Total Cash and Cash Equivalents	\$ 6,740,598
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**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004
Increase (Decrease) in Cash and Cash Equivalents
(Continued)**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ (328,592)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 55,787
Miscellaneous nonoperating income	92,211
(Increase) decrease in accounts receivable	(92,068)
(Increase) decrease in due from other governments	(157,026)
(Increase) decrease in lease receivable	599,609
Increase (decrease) in accounts payable	4,808
Increase (decrease) in salaries payable	742
Increase (decrease) in compensated absences payable	2,773
Increase (decrease) in due to other governments	1,808
Increase (decrease) in contracts payable	47,550
Increase (decrease) in security deposits	<u>6,305</u>
Total adjustments	\$ 562,499
Net Cash Provided by (Used in) Operating Activities	<u>\$ 233,907</u>

**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

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

1. Summary of Significant Accounting Policies

The Chisago County Housing and Redevelopment Authority Economic Development Authority's (HRA-EDA) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. 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.

A. Financial Reporting Entity

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

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

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

**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

The financial statements of the HRA-EDA are combined into a single enterprise fund and are intended to present only the activity of the HRA-EDA. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

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

D. Assets, Liabilities, and Net Assets

1. Deposits and Investments

The HRA-EDA's cash and pooled investments are considered to be cash and cash equivalents.

**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets

1. Deposits and Investments (Continued)

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.

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

2. 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

**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets

2. Capital Assets (Continued)

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 asset 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

3. 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 HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. 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.

2. Detailed Notes on All Funds

A. 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 HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

2. Detailed Notes on All Funds

A. 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				
Minnesota Association of Governments Investing for Counties (MAGIC)				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

B. 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 HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

2. Detailed Notes on All Funds

B. 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>	

C. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-Type Activities				
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				
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><u>\$ 2,276,750</u></u>	<u><u>\$ 2,123,445</u></u>	<u><u>\$ 712,071</u></u>	<u><u>\$ 3,688,124</u></u>

**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

2. Detailed Notes on All Funds

C. Capital Assets (Continued)

Depreciation expense was charged as follows:

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

D. Long-Term Debt

General Obligation Bonds

The HRA-EDA issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of bonds issued in prior years was \$9,590,000. 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.	385,000
Total General Obligation Bonds	\$ 14,105,000

**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

2. Detailed Notes on All Funds

D. Long-Term Debt

General Obligation Bonds (Continued)

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
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. This note was retired on August 30, 2004.

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation lease revenue	\$ 4,615,000	\$ -	\$ 635,000	\$ 3,980,000	\$ 585,000
General obligation gross revenue	1,410,000	-	25,000	1,385,000	25,000
General obligation development	2,000,000	-	-	2,000,000	-
General obligation 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)	(1737)	(123,904)	4,336
Long-Term Liabilities	<u>\$ 8,076,454</u>	<u>\$ 6,664,830</u>	<u>\$ 753,189</u>	<u>\$ 13,988,095</u>	<u>\$ 617,836</u>

**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

3. Other Information

A. 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.

B. 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 HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

3. Other Information (Continued)

C. 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.

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SUPPLEMENTARY INFORMATION

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**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

Schedule 1

**SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General Operations	Bayview Apartments	Southfield Estates	Total
Operating Revenues				
Charges for services	\$ 77,463	\$ -	\$ -	\$ 77,463
Rental income	4,185	27,059	175,820	207,064
Other	6,504	1,039	-	7,543
Total Operating Revenues	\$ 88,152	\$ 28,098	\$ 175,820	\$ 292,070
Operating Expenses				
Personal services	\$ 132,890	\$ -	\$ -	\$ 132,890
Professional services	17,532	-	35,322	52,854
Contracted services	635	653	1,210	2,498
General maintenance services	853	3,966	124,375	129,194
Administration and fiscal services	-	-	7,567	7,567
Other services and charges	407	45,276	1,610	47,293
Supplies	4,316	4,240	4,288	12,844
Director and staff reimbursed expenses	4,020	-	-	4,020
Board expenses	3,238	-	-	3,238
Telephone	1,948	98	-	2,046
Utilities	3,220	8,655	9,000	20,875
Advertising	1,197	13,308	948	15,453
Insurance	2,900	10,034	13,119	26,053
Staff training	646	-	-	646
Licenses and dues	900	-	-	900
Postage	759	-	-	759
Miscellaneous	9,812	506	22,783	33,101
TIF expenses	10,396	-	-	10,396
MHFA program expense	62,248	-	-	62,248
Depreciation	3,917	24,751	27,119	55,787
Total Operating Expenses	\$ 261,834	\$ 111,487	\$ 247,341	\$ 620,662
Operating Income (Loss)	\$ (173,682)	\$ (83,389)	\$ (71,521)	\$ (328,592)
Nonoperating Revenues (Expenses)				
Property taxes	\$ 477,676	\$ -	\$ -	\$ 477,676
Intergovernmental revenue	1,210,271	-	-	1,210,271
Interest income	29,656	7,997	1,374	39,027
Interest on lease receivable	244,489	-	-	244,489
Miscellaneous revenue	-	-	92,211	92,211
Gifts and contributions	250,000	-	-	250,000
Intergovernmental expense	(1,375,128)	-	-	(1,375,128)
Interest expense	(248,492)	(233,246)	(85,167)	(566,905)
Total Nonoperating Revenues (Expenses)	\$ 588,472	\$ (225,249)	\$ 8,418	\$ 371,641
Change in Net Assets	\$ 414,790	\$ (308,638)	\$ (63,103)	\$ 43,049

**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

Schedule 2

**BOND AND INTEREST MATURITIES
DECEMBER 31, 2004**

Bond Issue	Due Date	Interest Rate (%)	Principal Amount Due	Interest Due	Total Principal and Interest Due
\$3,795,000 Lease Revenue Bonds, Series 1997	2005	4.60	\$ 200,000	\$ 165,085	\$ 365,085
	2006	4.60	800,000	142,085	942,085
	2007	4.70	845,000	103,828	948,828
	2008	4.70	890,000	63,055	953,055
	2009	4.90	860,000	21,070	881,070
Total			\$ 3,595,000	\$ 495,123	\$ 4,090,123
\$1,475,000 Government Housing Gross Revenue Bonds	2005	5.50	\$ 25,000	\$ 87,522	\$ 112,522
	2006	5.60	30,000	86,148	116,148
	2007	5.70	30,000	84,467	114,467
	2008	5.80	35,000	82,758	117,758
	2009	5.81	35,000	80,727	115,727
	2010	6.00	40,000	78,663	118,663
	2011	6.00	40,000	76,262	116,262
	2012	6.00	45,000	73,863	118,863
	2013	6.25	45,000	71,163	116,163
	2014	6.25	50,000	68,350	118,350
	2015	6.25	55,000	65,225	120,225
	2016	6.25	55,000	61,787	116,787
	2017	6.25	60,000	58,350	118,350
	2018	6.50	65,000	54,600	119,600
	2019	6.50	65,000	50,375	115,375
	2020	6.50	70,000	46,150	116,150
	2021	6.50	75,000	41,600	116,600
	2022	6.50	80,000	36,725	116,725
	2023	6.50	85,000	31,525	116,525
	2024	6.50	90,000	26,000	116,000
2025	6.50	95,000	20,150	115,150	
2026	6.50	105,000	13,975	118,975	
2027	6.50	110,000	7,150	117,150	
Total			\$ 1,385,000	\$ 1,303,535	\$ 2,688,535
\$1,245,000 Lease Revenue Refunding Bonds	2005	4.00	\$ 385,000	\$ 7,700	\$ 392,700

**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

Schedule 2
(Continued)

**BOND AND INTEREST MATURITIES
DECEMBER 31, 2004**

Bond Issue	Due Date	Interest Rate (%)	Principal Amount Due	Interest Due	Total Principal and Interest Due
\$2,000,000 Housing Development Bonds	2005	3.25	\$ -	\$ 93,690	\$ 93,690
	2006	3.25	-	93,690	93,690
	2007	3.25	35,000	93,121	128,121
	2008	3.50	35,000	91,940	126,940
	2009	3.75	35,000	90,671	125,671
	2010	4.00	40,000	89,215	129,215
	2011	4.00	45,000	87,515	132,515
	2012	4.00	45,000	85,715	130,715
	2013	4.20	50,000	83,765	133,765
	2014	4.20	50,000	81,665	131,665
	2015	4.20	55,000	79,460	134,460
	2016	4.20	55,000	77,150	132,150
	2017	4.40	60,000	74,675	134,675
	2018	4.40	60,000	72,035	132,035
	2019	4.40	65,000	69,285	134,285
	2020	4.70	70,000	66,210	136,210
	2021	4.70	70,000	62,920	132,920
	2022	4.70	75,000	59,513	134,513
	2023	5.00	80,000	55,750	135,750
	2024	5.00	85,000	51,625	136,625
	2025	5.00	90,000	47,250	137,250
	2026	5.00	90,000	42,750	132,750
	2027	5.00	95,000	38,125	133,125
2028	5.00	105,000	33,125	138,125	
2029	5.00	110,000	27,750	137,750	
2030	5.00	115,000	22,125	137,125	
2031	5.00	120,000	16,250	136,250	
2032	5.00	130,000	10,000	140,000	
2033	5.00	135,000	3,375	138,375	
Total			\$ 2,000,000	\$ 1,800,360	\$ 3,800,360

**CHISAGO COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
ECONOMIC DEVELOPMENT AUTHORITY
NORTH BRANCH, MINNESOTA**

Schedule 2
(Continued)

**BOND AND INTEREST MATURITIES
DECEMBER 31, 2004**

<u>Bond Issue</u>	<u>Due Date</u>	<u>Interest Rate (%)</u>	<u>Principal Amount Due</u>	<u>Interest Due</u>	<u>Total Principal and Interest Due</u>
\$6,740,000 Public Project Revenue	2005	3.95	\$ -	\$ 317,598	\$ 317,598
	Bonds Library Lease Obligation	2006	55,000	316,511	371,511
	2007	4.13	225,000	310,813	535,813
	2008	4.13	230,000	301,456	531,456
	2009	4.13	240,000	291,763	531,763
	2010	4.13	245,000	281,759	526,759
	2011	4.13	255,000	271,447	526,447
	2012	4.15	270,000	260,585	530,585
	2013	4.20	280,000	249,102	529,102
	2014	4.40	295,000	236,733	531,733
	2015	4.50	305,000	223,380	528,380
	2016	4.60	320,000	209,158	529,158
	2017	4.75	335,000	193,841	528,841
	2018	5.00	355,000	177,010	532,010
	2019	5.00	375,000	158,760	533,760
	2020	5.00	390,000	139,635	529,635
	2021	5.00	410,000	119,635	529,635
	2022	5.00	435,000	98,510	533,510
	2023	5.05	460,000	76,020	536,020
	2024	5.05	485,000	52,159	537,159
	2025	5.15	510,000	26,780	536,780
	2026	5.15	265,000	6,824	271,824
Total			\$ 6,740,000	\$ 4,319,479	\$ 11,059,479
Total All Bonds			\$ 14,105,000	\$ 7,926,197	\$ 22,031,197

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PATRICIA ANDERSON
STATE AUDITOR

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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 Commissioners
Chisago County Housing and Redevelopment Authority
Economic Development Authority

We have audited the financial statements of the Chisago County Housing and Redevelopment Authority Economic Development Authority (HRA-EDA), a component unit of Chisago County, as of and for the year ended December 31, 2004, and have issued our report thereon dated July 15, 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 the HRA-EDA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the HRA-EDA'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, the HRA-EDA complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of 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 15, 2005