

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CHISAGO COUNTY
CENTER CITY, MINNESOTA

YEAR ENDED DECEMBER 31, 2007

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Year Ended December 31, 2007



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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

ORGANIZATION
2007

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	Lynn Schultz ²	January 2005	January 2009
2nd District	Rick Greene	January 2007	January 2011
3rd District	Robert Gustafson	January 2005	January 2009
4th District	Ben Montzka	January 2007	January 2011
5th District	Mike Robinson ¹	January 2005	January 2009
Officers			
Elected			
Attorney	Janet Reiter	January 2007	January 2011
Auditor	Dennis Freed	January 2007	January 2011
Sheriff	Todd Rivard	January 2007	January 2011
Treasurer	Lee Olson	January 2007	January 2011
Appointed			
Administrator	John Moosey		Indefinite
Assessor	John Keefe	January 2005	December 2009
Court Administrator	Kathleen Karnowski		Indefinite
Medical Examiner	Lindsey C. Thomas	January 2007	December 2009
Examiner of Titles	Joseph Anderson		Indefinite
Highway Engineer	Bill Malin	May 2005	May 2009
Probation Officer	Steven Paquay		Indefinite
Recorder/Registrar of Titles	Thora Fisko		Indefinite
Surveyor	Terry Johnson		Indefinite
Veterans Service Officer/ Civil Defense	James Halstrom		Indefinite
Health and Human Services Director	Mary Sheehan		Indefinite

¹Chair 2007

²Chair 2008

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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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, 2007, 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, 2007, and the respective changes in financial position thereof and the respective budgetary comparison schedules for the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, on our consideration of Chisago County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007
(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, 2007. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

The assets of Chisago County exceeded its liabilities by approximately \$95.9 million at the close of 2007. Of this amount, \$17,842,060 (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 \$4,096,840. This is attributable primarily to road construction and maintenance projects being capitalized and additional grant programs.

At the close of 2007, Chisago County's governmental funds reported combined ending fund balances of \$27,459,098, a decrease of \$1,090,094 from the previous year-end balance. At the end of the year, Chisago County's unreserved fund balance totaled \$22,612,686, which is available for spending at the County Board's discretion.

At the close of 2007, unreserved fund balance for the General Fund was \$7,435,385, or 34.9 percent, of total General Fund expenditures.

Chisago County's bonds and notes payable increased by \$8,229,171, or 24 percent, during 2007. The key factors in the increase were the issuance of \$5,500,000 in General Obligation Temporary Jail Bonds and \$3,960,000 in 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 are comprised of three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (uncollected taxes and earned but unused vacation leave).

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

Fund Level Financial Statements

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

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

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

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

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

Notes to the financial statements. The notes to the financial statements provide additional information 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, except capital projects 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 \$95,885,701 at the close of 2007. The largest portion of Chisago County's net assets (76 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets still outstanding. However, it should be noted that these assets are not available for future spending.

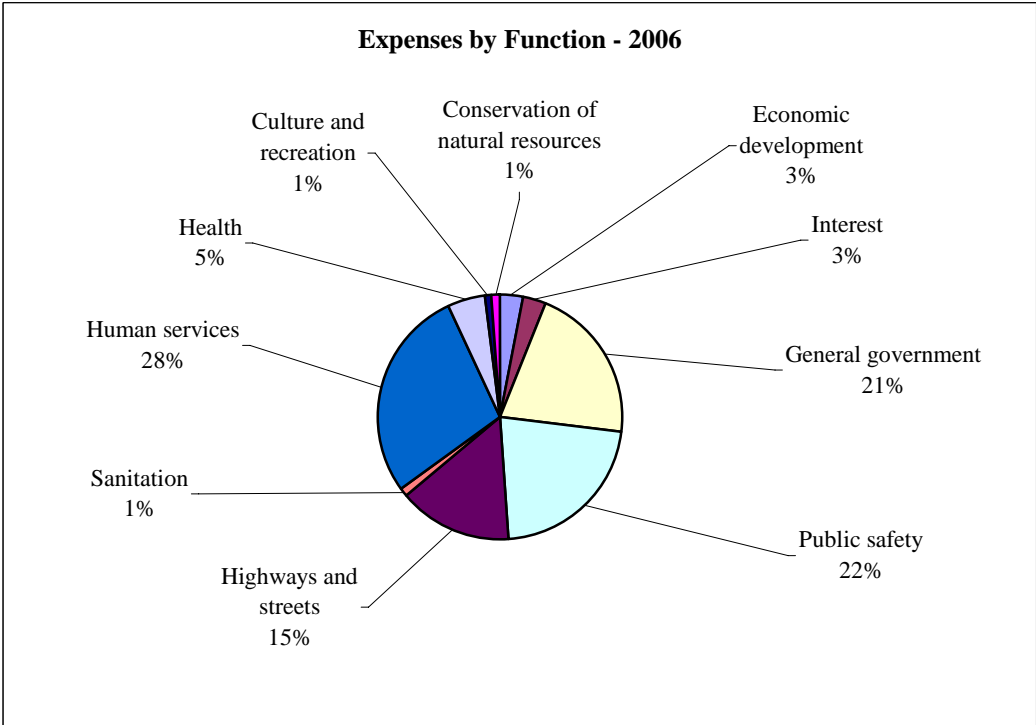
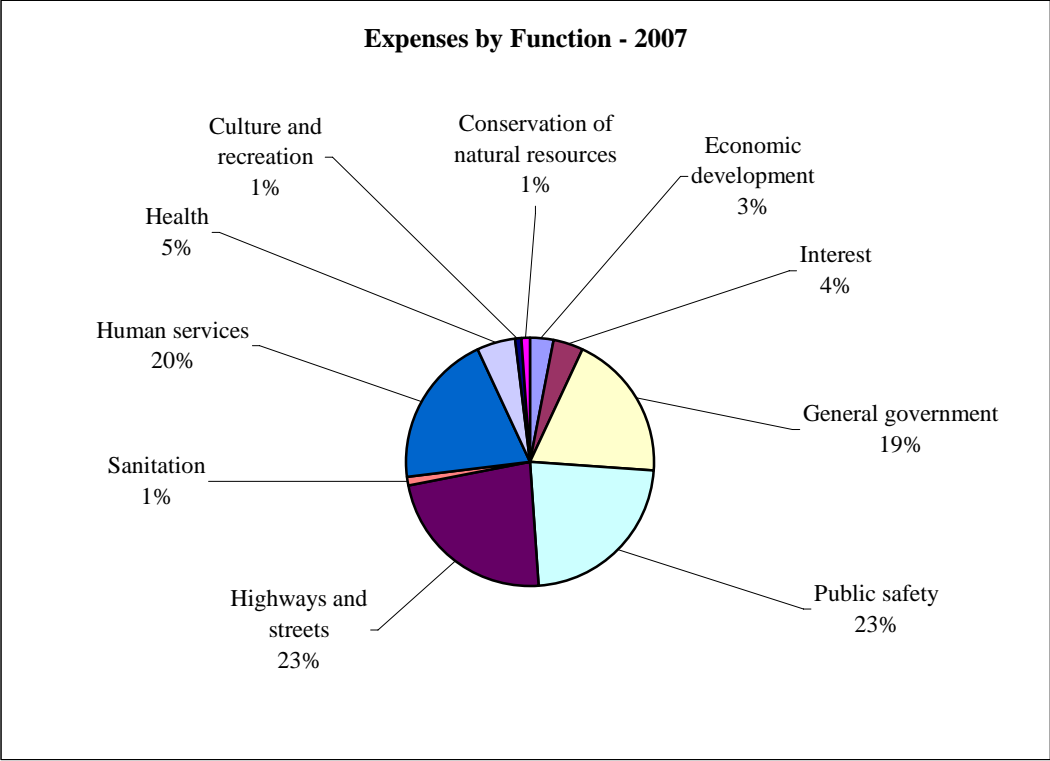
Governmental Net Assets		
	2007	2006
Current and other assets	\$ 37,406,969	\$ 33,869,942
Capital assets	115,276,758	105,954,951
Total Assets	\$ 152,683,727	\$ 139,824,893
Long-term liabilities outstanding	\$ 52,684,419	\$ 44,932,488
Other liabilities	4,113,607	3,103,544
Total Liabilities	\$ 56,798,026	\$ 48,036,032

	<u>2007</u>	<u>2006</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 73,197,229	\$ 80,638,861
Restricted	4,846,412	6,782,414
Unrestricted	<u>17,842,060</u>	<u>4,367,586</u>
Total Net Assets	<u>\$ 95,885,701</u>	<u>\$ 91,788,861</u>

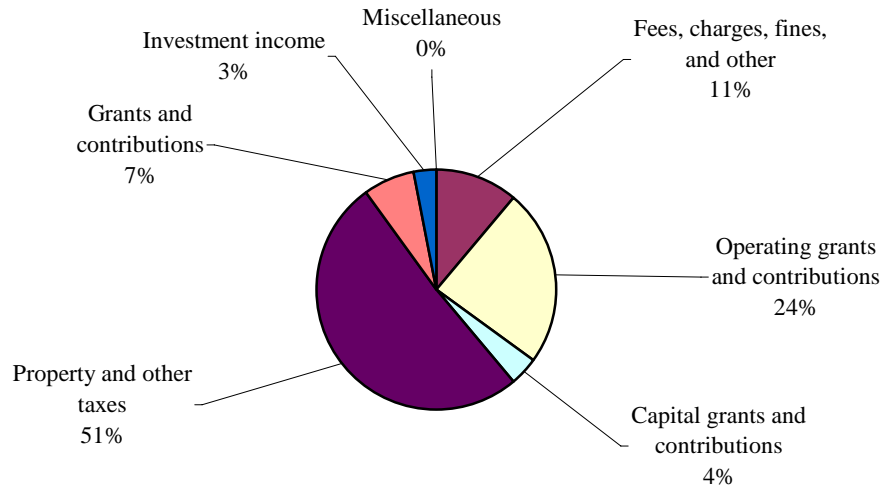
The unrestricted net asset amount of \$17,842,060 as of December 31, 2007, may be used to meet the County's ongoing obligations to citizens and creditors. Chisago County's activities increased net assets by \$4,096,840, or 4.46 percent, over the 2006 net assets. The key element of the increase was due to an increase in property tax revenue and an increase in fees, charges, fines, and other revenue.

Changes in Net Assets

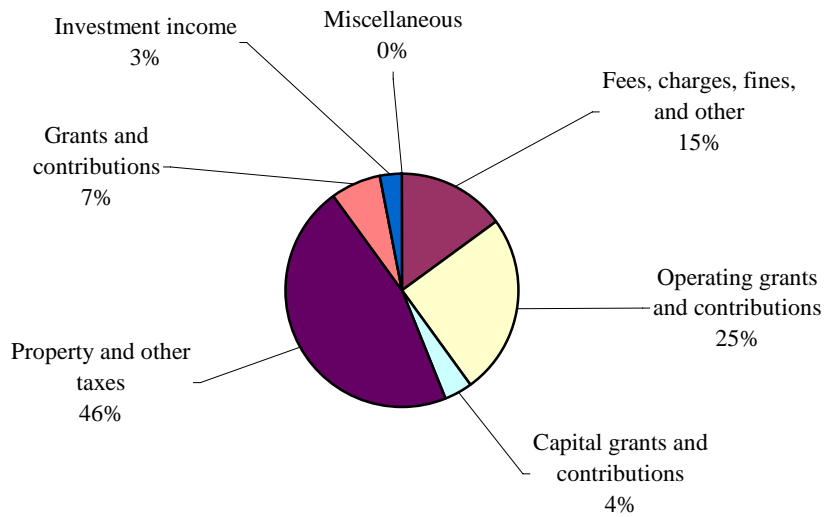
	<u>2007</u>	<u>2006</u>
Revenues		
Program revenues		
Charges for services	\$ 5,831,042	\$ 7,634,947
Operating grants and contributions	12,893,997	12,735,039
Capital grants and contributions	2,156,051	2,067,228
General revenues		
Property taxes	26,367,496	23,485,715
Other	<u>6,122,720</u>	<u>5,799,580</u>
Total Revenues	<u>\$ 53,371,306</u>	<u>\$ 51,722,509</u>
Expenses		
General government	\$ 9,543,145	\$ 9,425,901
Public safety	11,040,267	9,870,211
Highways and streets	11,028,603	7,012,530
Sanitation	331,909	80,520
Human services	9,997,372	13,198,134
Health	2,686,486	2,252,484
Culture and recreation	611,105	429,249
Conservation of natural resources	602,465	579,089
Economic development	1,300,694	1,215,035
Interest	<u>2,132,420</u>	<u>1,590,682</u>
Total Expenses	<u>\$ 49,274,466</u>	<u>\$ 45,653,835</u>
Increase in Net Assets	\$ 4,096,840	\$ 6,068,674
Net Assets, January 1	<u>91,788,861</u>	<u>85,720,187</u>
Net Assets, December 31	<u>\$ 95,885,701</u>	<u>\$ 91,788,861</u>

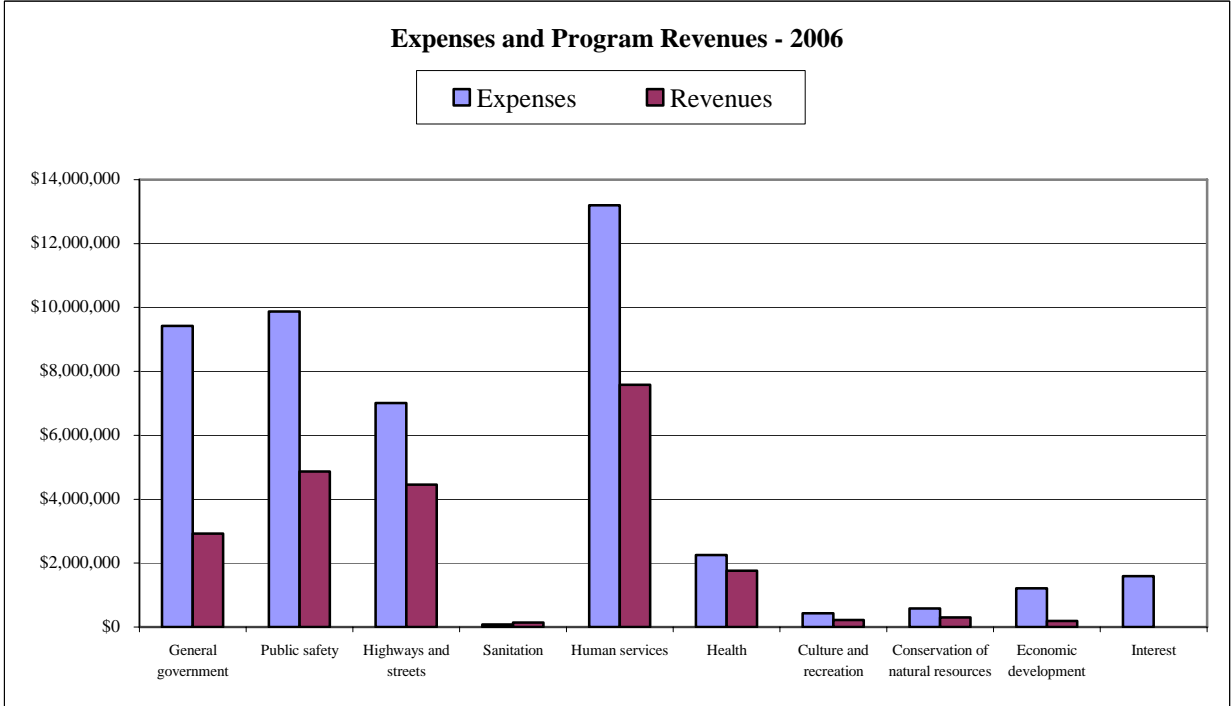
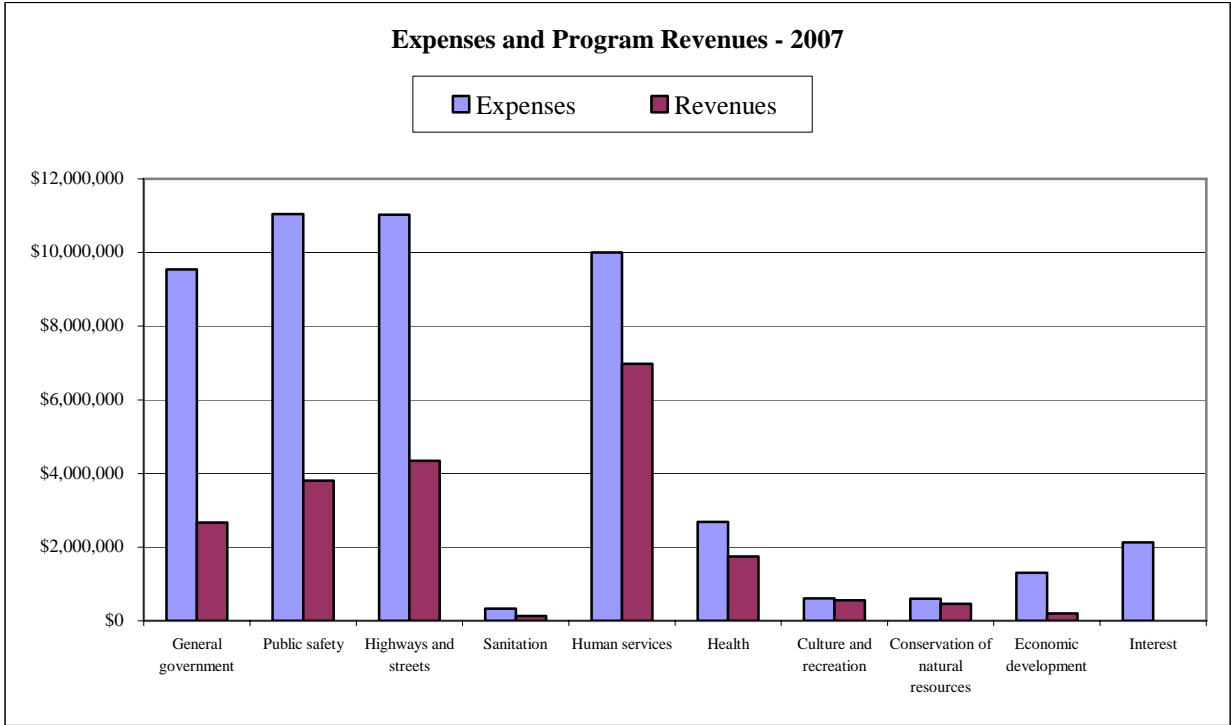


Revenues by Source - 2007



Revenues by Source - 2006





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 \$27,459,098, a decrease of \$1,090,094 in comparison with the prior year. Unreserved fund balance of \$22,612,686 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 \$7,435,385. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 34.9 percent of total General Fund expenditures. In 2007, ending fund balance in the General Fund increased by \$665,209.

The Road and Bridge Special Revenue Fund's fund balance decreased \$2,353,019 in 2007. Expenditures were less than the amount budgeted by \$2,768,584. However, revenues were also \$3,200,929 less than the budget amount, accounting for the fund balance decrease. This is mostly due to the use of bond proceeds for road construction projects.

The Human Services Special Revenue Fund's fund balance increased \$1,757,913 from the prior year due to revenues exceeding expenditures in 2007.

General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended budget were relatively minor. Actual revenues exceeded budgeted revenues by \$1,418,335. The largest variance was attributed to intergovernmental revenue and investment earnings. Actual expenditures were less than budgeted expenditures by \$810,243.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2007, totaled \$115,276,758 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets increased \$9,321,807, or 8.8 percent, from the previous year. The major events affecting this increase were: (1) additions to buildings for a health and human services building totaling \$1,775,178, (2) capitalization of County infrastructure (primarily for County state-aid highway roads) totaling \$6,056,965, and (3) addition to land for the purchase of land for a new jail totaling \$1,221,255.

	Capital Assets (Net of Depreciation)	
	2007	2006
Land	\$ 2,613,277	\$ 1,392,022
Construction in progress	12,192,806	6,900,163
Buildings	16,450,753	14,771,067
Machinery, vehicles, furniture, and equipment	5,498,339	4,212,158
Infrastructure	78,521,583	78,679,541
Total	<u>\$ 115,276,758</u>	<u>\$ 105,954,951</u>

Long-Term Debt

At the end of the current fiscal year, the County had total bonds and notes outstanding of \$42,070,831, which was backed by the full faith and credit of the government.

	Outstanding Debt	
	2007	2006
General obligation bonds	\$ 40,640,000	\$ 32,230,000
General obligation capital notes	1,430,831	1,611,660
Total Long-Term Debt	<u>\$ 42,070,831</u>	<u>\$ 33,841,660</u>

The County's debt related to general obligation bonds and notes increased by \$8,229,171 (24 percent) during the fiscal year. The increase was due to the issuance of the bonds for financing County road construction projects and temporary jail bonds.

Minnesota statutes limit the amount of debt a county may levy to two percent of its total market value. At the end of 2007, Chisago County was well below the two percent debt limit imposed by state statutes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Chisago County's unemployment rate was 6.6 percent at the end of 2007. The statewide rate was 4.9 percent. The national rate was 4.8 percent. These rates have not been seasonally adjusted.
- The economic climate has had an effect on the residential growth in the County. In addition, housing prices are also being affected by the economic situation.
- At the end of 2007, Chisago County approved its 2008 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	<u>Primary Government Governmental Activities</u>	<u>Housing and Redevelopment Authority Economic Development Authority Component Unit</u>
<u>Assets</u>		
Cash and pooled investments	\$ 26,633,696	\$ 1,895,474
Receivables - net	9,737,725	19,578
Inventories	597,398	-
Prepaid items	71,685	11,730
Advances to other agencies	138,100	-
Advance to other governments	-	1,467
Deferred charges	228,365	125,440
Land held for resale	-	2,991,827
Capital lease receivable	-	7,112,976
Capital assets		
Non-depreciable capital assets	14,806,083	243,181
Depreciable capital assets - net of accumulated depreciation	<u>100,470,675</u>	<u>5,797,177</u>
Total Assets	<u>\$ 152,683,727</u>	<u>\$ 18,198,850</u>
<u>Liabilities</u>		
Accounts payable and other current liabilities	\$ 3,041,763	\$ 125,841
Accrued interest payable	827,731	167,021
Due to other governments	189,766	2,487
Security deposits	-	47,314
Unearned revenue	54,347	-
Long-term liabilities		
Due within one year	3,996,299	1,156,600
Due in more than one year	<u>48,688,120</u>	<u>13,848,669</u>
Total Liabilities	<u>\$ 56,798,026</u>	<u>\$ 15,347,932</u>
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 73,197,229	\$ 1,395,657
Restricted for		
General government	1,847,359	-
Highways and streets	660,953	-
Human services	138,100	-
Debt service	2,200,000	-
Unrestricted	<u>17,842,060</u>	<u>1,455,261</u>
Total Net Assets	<u>\$ 95,885,701</u>	<u>\$ 2,850,918</u>

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 9,543,145	\$ 2,344,600
Public safety	11,040,267	987,225
Highways and streets	11,028,603	41,516
Sanitation	331,909	126,854
Human services	9,997,372	681,769
Health	2,686,486	889,941
Culture and recreation	611,105	559,749
Conservation of natural resources	602,465	964
Economic development	1,300,694	198,424
Interest	2,132,420	-
Total Primary Government	\$ 49,274,466	\$ 5,831,042
 Component Unit		
Housing and Redevelopment Authority/Economic Development Authority	\$ 2,086,764	\$ 1,139,347

General Revenues

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

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Discretely Presented Component Unit
\$ 321,868	\$ -	\$ (6,876,677)	
2,814,920	-	(7,238,122)	
2,145,087	2,156,051	(6,685,949)	
-	-	(205,055)	
6,292,089	-	(3,023,514)	
859,573	-	(936,972)	
-	-	(51,356)	
460,460	-	(141,041)	
-	-	(1,102,270)	
-	-	(2,132,420)	
\$ 12,893,997	\$ 2,156,051	\$ (28,393,376)	
\$ 452,493	\$ -		\$ (494,924)
		\$ 26,367,496	\$ 609,988
		45,590	-
		71,978	-
		585,719	-
		3,539,746	-
		1,786,777	92,315
		92,910	-
		\$ 32,490,216	\$ 702,303
		\$ 4,096,840	\$ 207,379
		91,788,861	2,643,539
		\$ 95,885,701	\$ 2,850,918

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<u>Assets</u>			
Cash and pooled investments	\$ 7,865,342	\$ 2,983,761	\$ 3,339,777
Petty cash and change funds	1,300	-	-
Undistributed cash in agency funds	196,793	69,846	73,295
Departmental cash	18,686	-	-
Taxes receivable			
Prior	529,622	237,081	256,109
Special assessments receivable			
Prior	-	-	-
Noncurrent	-	-	-
Accounts receivable	467,963	127	283,815
Accrued interest receivable	179,951	-	-
Notes receivable	1,000,000	-	-
Due from other funds	41,820	832	3,817
Due from other governments	86,890	5,617,586	817,773
Inventories	-	597,398	-
Advances to other agencies	-	-	138,100
Prepaid items	68,670	3,015	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 10,457,037</u>	<u>\$ 9,509,646</u>	<u>\$ 4,912,686</u>

EXHIBIT 3

<u>Debt Service</u>	<u>County Capital Projects</u>	<u>Jail Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,246,630	\$ 355,704	\$ 3,921,794	\$ 5,510,474	\$ 26,223,482
-	-	-	-	1,300
17,487	-	-	32,807	390,228
-	-	-	-	18,686
59,225	-	-	94,869	1,176,906
-	-	-	32,570	32,570
38,422	-	-	15,925	54,347
-	-	-	2,067	753,972
-	-	-	-	179,951
-	-	-	-	1,000,000
333,619	-	-	-	380,088
-	-	-	17,730	6,539,979
-	-	-	-	597,398
-	-	-	-	138,100
-	-	-	-	71,685
<u>\$ 2,695,383</u>	<u>\$ 355,704</u>	<u>\$ 3,921,794</u>	<u>\$ 5,706,442</u>	<u>\$ 37,558,692</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Road and Bridge	Human Services
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 262,524	\$ 100,850	\$ 222,595
Salaries payable	441,429	100,069	290,968
Contracts payable	-	1,577,882	-
Due to other funds	4,649	818	28,145
Due to other governments	76,050	13,413	80,833
Deferred revenue - unavailable	389,641	5,684,162	203,974
Deferred revenue - unearned	-	-	-
	\$ 1,174,293	\$ 7,477,194	\$ 826,515
Fund Balances			
Reserved for			
Prepaid items	\$ 68,670	\$ -	\$ -
Law library	27,475	-	-
Recorder's equipment	373,831	-	-
Inventories	-	597,398	-
Encumbrances	-	58,105	-
Debt service	-	-	-
Advance to other agency	-	-	138,100
Sheriff's contingency	9,048	-	-
Notes receivable	1,000,000	-	-
Land records technology	323,414	-	-
Sheriff's forfeited property	44,921	-	-
Driveway deposits	-	5,450	-
Unreserved, designated for			
Future expenditures	1,327,764	52,690	-
Cash flows	5,700,000	1,318,809	3,500,000
Medical insurance	30,077	-	-
Undesignated	377,544	-	448,071
Unreserved, reported in special revenue funds	-	-	-
Unreserved, reported in capital projects fund	-	-	-
	\$ 9,282,744	\$ 2,032,452	\$ 4,086,171
Total Fund Balances	\$ 9,282,744	\$ 2,032,452	\$ 4,086,171
Total Liabilities and Fund Balances	\$ 10,457,037	\$ 9,509,646	\$ 4,912,686

EXHIBIT 3
(Continued)

<u>Debt Service</u>	<u>County Capital Projects</u>	<u>Jail Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 39,870	\$ 625,839
-	-	-	5,576	838,042
-	-	-	-	1,577,882
-	333,619	-	12,857	380,088
-	-	-	19,470	189,766
47,460	-	-	108,393	6,433,630
38,422	-	-	15,925	54,347
<u>\$ 85,882</u>	<u>\$ 333,619</u>	<u>\$ -</u>	<u>\$ 202,091</u>	<u>\$ 10,099,594</u>
\$ -	\$ -	\$ -	\$ -	\$ 68,670
-	-	-	-	27,475
-	-	-	-	373,831
-	-	-	-	597,398
-	-	-	-	58,105
2,200,000	-	-	-	2,200,000
-	-	-	-	138,100
-	-	-	-	9,048
-	-	-	-	1,000,000
-	-	-	-	323,414
-	-	-	-	44,921
-	-	-	-	5,450
-	21,381	3,920,000	-	5,321,835
-	-	-	-	10,518,809
-	-	-	-	30,077
409,501	704	1,794	-	1,237,614
-	-	-	5,505,956	5,505,956
-	-	-	(1,605)	(1,605)
<u>\$ 2,609,501</u>	<u>\$ 22,085</u>	<u>\$ 3,921,794</u>	<u>\$ 5,504,351</u>	<u>\$ 27,459,098</u>
<u>\$ 2,695,383</u>	<u>\$ 355,704</u>	<u>\$ 3,921,794</u>	<u>\$ 5,706,442</u>	<u>\$ 37,558,692</u>

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Fund balance - total governmental funds		\$ 27,459,098
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.		115,276,758
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. Under the accrual basis, receivables are revenue when earned.		6,433,630
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 unamortized premiums and issuance discounts	\$ (40,648,566)	
Capital notes payable	(1,430,831)	
Capital leases payable	(7,362,349)	
Compensated absences	(3,242,673)	
Accrued interest payable	(827,731)	
Deferred debt issuance charges	228,365	
	(53,283,785)	(53,283,785)
Net Assets of Governmental Activities		<u><u>\$ 95,885,701</u></u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 11,837,353	\$ 5,472,388	\$ 5,653,964
Special assessments	-	-	-
Licenses and permits	409,169	18,103	-
Intergovernmental	4,678,146	2,878,315	7,521,860
Charges for services	2,358,486	73,964	1,076,539
Fines and forfeits	238,848	-	-
Gifts and contributions	45,955	-	-
Investment earnings	1,786,777	-	-
Miscellaneous	576,457	-	495,171
	<u>\$ 21,931,191</u>	<u>\$ 8,442,770</u>	<u>\$ 14,747,534</u>
Total Revenues			
Expenditures			
Current			
General government	\$ 9,704,467	\$ 147,813	\$ -
Public safety	9,498,140	-	-
Highways and streets	-	13,260,036	-
Sanitation	-	-	-
Human services	-	-	10,382,669
Health	-	-	2,606,952
Culture and recreation	337,276	-	-
Conservation of natural resources	542,272	-	-
Economic development	703,656	-	-
Intergovernmental	518,440	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Bond issuance costs	-	31,397	-
	<u>\$ 21,304,251</u>	<u>\$ 13,439,246</u>	<u>\$ 12,989,621</u>
Total Expenditures			
Excess of Revenues Over (Under)			
Expenditures	<u>\$ 626,940</u>	<u>\$ (4,996,476)</u>	<u>\$ 1,757,913</u>

EXHIBIT 5

<u>Debt Service</u>	<u>County Capital Projects</u>	<u>Jail Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,257,451	\$ -	\$ -	\$ 2,036,218	\$ 26,257,374
11,530	-	-	365,256	376,786
-	-	-	1,868	429,140
84,212	-	-	510,061	15,672,594
65,939	-	-	163,088	3,738,016
-	-	-	-	238,848
-	-	-	1,300	47,255
-	-	-	-	1,786,777
-	289	-	486,964	1,558,881
<u>\$ 1,419,132</u>	<u>\$ 289</u>	<u>\$ -</u>	<u>\$ 3,564,755</u>	<u>\$ 50,105,671</u>
\$ -	\$ -	\$ -	\$ 19,180	\$ 9,871,460
-	-	-	-	9,498,140
-	-	-	-	13,260,036
-	-	-	322,153	322,153
-	-	-	-	10,382,669
-	-	-	-	2,606,952
-	-	-	177,682	514,958
-	-	-	57,592	599,864
-	-	-	-	703,656
-	-	-	-	518,440
-	4,106,657	1,112,116	2,779,831	7,998,604
2,124,266	-	-	170,000	2,294,266
2,003,203	431	-	5,318	2,008,952
-	-	31,803	-	63,200
<u>\$ 4,127,469</u>	<u>\$ 4,107,088</u>	<u>\$ 1,143,919</u>	<u>\$ 3,531,756</u>	<u>\$ 60,643,350</u>
<u>\$ (2,708,337)</u>	<u>\$ (4,106,799)</u>	<u>\$ (1,143,919)</u>	<u>\$ 32,999</u>	<u>\$ (10,537,679)</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ 38,269	\$ -	\$ -
Transfers out	-	(1,325,915)	-
Proceeds from the sale of bonds	-	3,960,000	-
Discount on bonds	-	(21,701)	-
Total Other Financing Sources (Uses)	\$ 38,269	\$ 2,612,384	\$ -
Net Change in Fund Balances	\$ 665,209	\$ (2,384,092)	\$ 1,757,913
Fund Balances - January 1	8,617,535	4,385,471	2,328,258
Increase (decrease) in reserved for inventories	-	31,073	-
Fund Balances - December 31	\$ 9,282,744	\$ 2,032,452	\$ 4,086,171

EXHIBIT 5
(Continued)

<u>Debt Service</u>	<u>County Capital Projects</u>	<u>Jail Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,650,739	\$ -	\$ -	\$ -	\$ 1,689,008
-	-	-	(363,093)	(1,689,008)
412,500	-	5,087,500	-	9,460,000
-	-	(21,787)	-	(43,488)
<u>\$ 2,063,239</u>	<u>\$ -</u>	<u>\$ 5,065,713</u>	<u>\$ (363,093)</u>	<u>\$ 9,416,512</u>
\$ (645,098)	\$ (4,106,799)	\$ 3,921,794	\$ (330,094)	\$ (1,121,167)
3,254,599	4,128,884	-	5,834,445	28,549,192
-	-	-	-	31,073
<u>\$ 2,609,501</u>	<u>\$ 22,085</u>	<u>\$ 3,921,794</u>	<u>\$ 5,504,351</u>	<u>\$ 27,459,098</u>

**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, 2007**

Net change in fund balance - total governmental funds **\$ (1,121,167)**

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 expenditure 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 or decrease in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 6,433,630	
Deferred revenue - January 1	<u>(2,755,000)</u>	3,678,630

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	\$ 12,896,012	
Net book value of disposed assets	(201,664)	
Current year depreciation	<u>(3,372,541)</u>	9,321,807

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

New debt issued (bonds, capital notes, and capital leases)	\$ (10,123,336)	
Discount on bonds issued	43,488	
Bond issuance costs	<u>63,200</u>	(10,016,648)

Principal payments		
Reported as debt service expenditures (bonds, notes, and capital leases)	\$ 2,289,161	
Reported as general government expenditures (bonds)	352,800	
Reported as highways and streets expenditures (notes)	<u>55,829</u>	2,697,790

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**EXHIBIT 6
(Continued)**

**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, 2007**

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

Change in accrued interest payable	\$ (107,580)	
Amortization of deferred issuance charges	(15,888)	
Change in compensated absences	(371,177)	
Change in inventories	31,073	(463,572)
	<hr/>	<hr/>
Change in Net Assets of Governmental Activities	\$	<u><u>4,096,840</u></u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 12,511,986	\$ 12,512,346	\$ 11,837,353	\$ (674,993)
Licenses and permits	877,150	877,150	409,169	(467,981)
Intergovernmental	3,573,480	3,573,480	4,678,146	1,104,666
Charges for services	2,689,880	2,689,880	2,358,486	(331,394)
Fines and forfeits	60,000	60,000	238,848	178,848
Gifts and contributions	-	-	45,955	45,955
Investment earnings	800,000	800,000	1,786,777	986,777
Miscellaneous	-	-	576,457	576,457
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 20,512,496</u>	<u>\$ 20,512,856</u>	<u>\$ 21,931,191</u>	<u>\$ 1,418,335</u>
Expenditures				
Current				
General government				
Commissioners	\$ 268,764	\$ 268,764	\$ 271,373	\$ (2,609)
Courts	297,912	297,912	188,511	109,401
Law library	35,000	68,624	53,428	15,196
County administrator	522,371	522,371	517,574	4,797
County auditor	323,418	323,418	323,222	196
County treasurer	238,972	238,972	245,350	(6,378)
County assessor	721,318	721,318	700,869	20,449
Elections	30,000	30,000	18,050	11,950
Data processing	2,870,566	2,870,566	2,455,725	414,841
Central services	195,000	195,000	151,161	43,839
Attorney	1,213,832	1,213,832	1,072,737	141,095
Recorder	783,781	1,349,737	494,452	855,285
Planning and zoning	725,300	862,140	683,363	178,777
Maintenance	379,302	386,802	349,348	37,454
Switchboard	42,884	42,884	42,980	(96)
Veterans service officer	53,517	63,329	77,091	(13,762)
Other general government	1,628,079	1,786,141	2,059,233	(273,092)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total general government	<u>\$ 10,330,016</u>	<u>\$ 11,241,810</u>	<u>\$ 9,704,467</u>	<u>\$ 1,537,343</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 3,585,296	\$ 3,585,296	\$ 3,721,559	\$ (136,263)
Sheriff's contingent	-	6,651	4,988	1,663
Boat and water safety	36,309	58,285	73,289	(15,004)
Coroner	85,000	85,000	75,102	9,898
Enhanced 911 system	60,000	60,000	131,411	(71,411)
County jail	3,683,316	3,683,316	3,871,830	(188,514)
Caseload reduction	77,508	80,033	67,565	12,468
Jail canteen fund	-	31,432	24,335	7,097
Probation and parole	604,634	604,634	663,997	(59,363)
Sentenced to serve	53,900	53,900	53,710	190
Electronic monitoring	19,184	20,034	17,248	2,786
Juvenile substance abuse court	-	12,267	96,046	(83,779)
Civil defense	-	-	80,431	(80,431)
Emergency management	52,404	52,404	61,579	(9,175)
Other public safety	110,221	573,326	555,050	18,276
Total public safety	\$ 8,367,772	\$ 8,906,578	\$ 9,498,140	\$ (591,562)
Culture and recreation				
Historical society	\$ 38,150	\$ 38,150	\$ 38,150	\$ -
Parks	241,439	241,439	222,818	18,621
Senior citizens	39,000	39,000	39,000	-
Other	19,600	22,600	37,308	(14,708)
Total culture and recreation	\$ 338,189	\$ 341,189	\$ 337,276	\$ 3,913
Conservation of natural resources				
Cooperative extension	\$ 178,165	\$ 178,165	\$ 161,073	\$ 17,092
Soil and water conservation	60,000	60,000	60,000	-
Agriculture inspections	9,812	9,812	8,529	1,283
Agricultural society/County fair	22,000	22,000	22,000	-
Oak wilt program	5,000	5,000	5,000	-
Water planning	78,580	149,076	106,353	42,723
Wetland challenge	76,785	76,785	83,310	(6,525)
Other	5,000	78,088	96,007	(17,919)
Total conservation of natural resources	\$ 435,342	\$ 578,926	\$ 542,272	\$ 36,654

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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	\$ 80,000	\$ 80,000	\$ 66,152	\$ 13,848
Other	444,884	444,884	637,504	(192,620)
Total economic development	\$ 524,884	\$ 524,884	\$ 703,656	\$ (178,772)
Intergovernmental				
Library	\$ 516,653	\$ 521,107	\$ 518,440	\$ 2,667
Total Expenditures	\$ 20,512,856	\$ 22,114,494	\$ 21,304,251	\$ 810,243
Excess of Revenues Over (Under)				
Expenditures	\$ (360)	\$ (1,601,638)	\$ 626,940	\$ 2,228,578
Other Financing Sources (Uses)				
Transfers in	-	-	38,269	38,269
Net Change in Fund Balance	\$ (360)	\$ (1,601,638)	\$ 665,209	\$ 2,266,847
Fund Balance - January 1	8,617,535	8,617,535	8,617,535	-
Fund Balance - December 31	\$ 8,617,175	\$ 7,015,897	\$ 9,282,744	\$ 2,266,847

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,801,228	\$ 5,801,228	\$ 5,472,388	\$ (328,840)
Licenses and permits	-	-	18,103	18,103
Intergovernmental	5,728,471	5,728,471	2,878,315	(2,850,156)
Charges for services	114,000	114,000	73,964	(40,036)
Total Revenues	\$ 11,643,699	\$ 11,643,699	\$ 8,442,770	\$ (3,200,929)
Expenditures				
Current				
General government				
Surveyor	\$ 161,416	\$ 174,416	\$ 147,813	\$ 26,603
Highways and streets				
Administration	\$ 919,238	\$ 919,238	\$ 1,126,515	\$ (207,277)
Engineering	1,261,799	1,261,799	1,280,550	(18,751)
Maintenance	3,165,827	3,165,827	3,333,028	(167,201)
Construction	9,960,000	9,960,000	6,555,474	3,404,526
Equipment, maintenance, and shop	726,550	726,550	964,469	(237,919)
Total highways and streets	\$ 16,033,414	\$ 16,033,414	\$ 13,260,036	\$ 2,773,378
Debt service				
Bond issuance costs	-	-	31,397	(31,397)
Total Expenditures	\$ 16,194,830	\$ 16,207,830	\$ 13,439,246	\$ 2,768,584
Excess of Revenues Over (Under) Expenditures	\$ (4,551,131)	\$ (4,564,131)	\$ (4,996,476)	\$ (432,345)
Other Financing Sources (Uses)				
Transfers in	\$ 5,875,000	\$ 5,875,000	\$ -	\$ (5,875,000)
Transfers out	(1,323,869)	(1,323,869)	(1,325,915)	(2,046)
Proceeds from the sale of bonds	-	-	3,960,000	3,960,000
Premium (discount) on bonds and notes issued	-	-	(21,701)	(21,701)
Total Other Financing Sources (Uses)	\$ 4,551,131	\$ 4,551,131	\$ 2,612,384	\$ (1,938,747)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 2
(Continued)

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Net Change in Fund Balance	\$ -	\$ (13,000)	\$ (2,384,092)	\$ (2,371,092)
Fund Balance - January 1	4,385,471	4,385,471	4,385,471	-
Increase (decrease) in reserved for inventories	-	-	31,073	31,073
Fund Balance - December 31	\$ 4,385,471	\$ 4,372,471	\$ 2,032,452	\$ (2,340,019)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,030,000	\$ 6,030,000	\$ 5,653,964	\$ (376,036)
Intergovernmental	6,458,013	6,458,013	7,521,860	1,063,847
Charges for services	861,292	861,292	1,076,539	215,247
Miscellaneous	254,683	254,683	495,171	240,488
Total Revenues	\$ 13,603,988	\$ 13,603,988	\$ 14,747,534	\$ 1,143,546
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,828,046	\$ 2,828,046	\$ 2,899,662	\$ (71,616)
Social services	8,075,891	8,075,891	7,483,007	592,884
Total human services	\$ 10,903,937	\$ 10,903,937	\$ 10,382,669	\$ 521,268
Health				
Nursing service	\$ 2,489,988	\$ 2,489,988	\$ 2,365,478	\$ 124,510
Maternal and child health	222,252	222,252	241,474	(19,222)
Total health	\$ 2,712,240	\$ 2,712,240	\$ 2,606,952	\$ 105,288
Total Expenditures	\$ 13,616,177	\$ 13,616,177	\$ 12,989,621	\$ 626,556
Net Change in Fund Balance	\$ (12,189)	\$ (12,189)	\$ 1,757,913	\$ 1,770,102
Fund Balance - January 1	2,328,258	2,328,258	2,328,258	-
Fund Balance - December 31	\$ 2,316,069	\$ 2,316,069	\$ 4,086,171	\$ 1,770,102

CHISAGO COUNTY
CENTER CITY, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	\$ <u><u>1,045,591</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 2,452
Deferred benefits	44,532
Due to other governments	<u>998,607</u>
Total Liabilities	\$ <u><u>1,045,591</u></u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

1. Summary of Significant Accounting Policies

Chisago County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

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

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

Joint Ventures

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about Chisago County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

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

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

2. Fund Financial Statements

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.
- The Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on the debt issued by the County for construction of various County buildings and roads.
- The County Capital Projects Fund is used to account for the construction of the Human Service Building and road projects that were funded by the issuance of capital improvement bonds.
- The Jail Capital Projects Fund is used to account for the preconstruction costs of the new jail that were funded by the issuance of temporary jail bonds.

Additionally, the County reports the following fund type:

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, 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 2007 were \$1,786,777.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

Chisago County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Fund Equity

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

9. Use of Estimates

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

E. Revenues

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

1. Imposed Nonexchange Transactions

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues (Continued)

2. Intergovernmental

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

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

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

3. Exchange Transactions

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of \$106,272 as of December 31, 2007, although three ditches had deficit balances. The deficits will be eliminated with future special assessment levies against benefited properties. Following is a summary of the individual ditch systems:

10 ditches with positive balances	\$ 106,759
3 ditches with deficit balances	<u>(487)</u>
Net Fund Balance	<u>\$ 106,272</u>

The Library Capital Projects Fund had a fund deficit of \$1,605 at December 31, 2007.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

C. Excess of Expenditures Over Budget

The funds shown below had expenditures in excess of budget for the year ended December 31, 2007.

	Expenditures	Budget	Excess
Special revenue funds			
County Building	\$ 105,460	\$ 80,000	\$ 25,460
Parks	523,440	1,500,000	373,440
Nursing Home	175,318	49,415	125,903
Capital Equipment	1,819,492	1,500,000	319,492

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets		
Governmental activities		
Cash and pooled investments		\$ 26,633,696
Statement of fiduciary net assets		
Cash and pooled investments		1,045,591
Total Cash and Investments		\$ 27,679,287
Deposits		\$ 4,158,529
Petty cash and change funds		1,300
Investments		23,519,458
Total Deposits, Cash on Hand, and Investments		\$ 27,679,287

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Board. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies, general obligations rated "A" or better, revenue obligations rated "AA" or better, irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, the County complies with Minnesota statutes in establishing collateral for its deposits. At December 31, 2007, the County was not exposed to custodial credit risk.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

Interest Rate Risk

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Interest Rate Risk (Continued)

At December 31, 2007, the County had the following investments:

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>5+ Years</u>
U.S. agency securities	\$ 10,146,684	\$ 1,826,245	\$ 3,615,912	\$ 4,704,527
MAGIC Fund	9,715,131	9,715,131	-	-
Negotiable certificates of deposit	3,657,643	3,089,738	472,172	95,733
Total Investments	<u>\$ 23,519,458</u>	<u>\$ 14,631,114</u>	<u>\$ 4,088,084</u>	<u>\$ 4,800,260</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's exposure to credit risk at December 31, 2007, is as follows:

	<u>Standard & Poor's Rating</u>	<u>Fair Value</u>
U.S. government agency securities	AAA	\$ 10,146,684
MAGIC Fund	N/R	9,715,131
Negotiable certificates of deposit	N/A	<u>3,657,643</u>
Total		<u>\$ 23,519,458</u>

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Reported Amount</u>
Federal Home Loan Bank	\$ 6,205,742
Federal Home Loan Mortgage Corporation	1,810,974
Federal National Mortgage Association	2,129,968
MAGIC Fund	9,715,131

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities in the possession of an outside party. All securities purchased by the County are held in safekeeping by a third-party designated institution as agent for the County. As of December 31, 2007, the County's investments were not exposed to custodial credit risk.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2007, 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	\$ 1,176,906	\$ -
Special assessments	86,917	54,347
Due from other governments	6,539,979	-
Accounts	753,972	-
Interest	179,951	-
Notes	1,000,000	1,000,000
	<u>\$ 9,737,725</u>	<u>\$ 1,054,347</u>
Total Governmental Activities	<u>\$ 9,737,725</u>	<u>\$ 1,054,347</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,392,022	\$ 1,221,255	\$ -	\$ 2,613,277
Construction in progress	6,900,163	6,056,695	764,052	12,192,806
	<u>\$ 8,292,185</u>	<u>\$ 7,277,950</u>	<u>\$ 764,052</u>	<u>\$ 14,806,083</u>
Total capital assets not depreciated	<u>\$ 8,292,185</u>	<u>\$ 7,277,950</u>	<u>\$ 764,052</u>	<u>\$ 14,806,083</u>
Capital assets depreciated				
Buildings	\$ 20,219,218	\$ 2,227,878	\$ -	\$ 22,447,096
Machinery, furniture, and equipment	10,555,692	2,642,735	1,411,966	11,786,461
Infrastructure	90,347,092	1,511,501	-	91,858,593
	<u>\$ 121,122,002</u>	<u>\$ 6,382,114</u>	<u>\$ 1,411,966</u>	<u>\$ 126,092,150</u>
Total capital assets depreciated	<u>\$ 121,122,002</u>	<u>\$ 6,382,114</u>	<u>\$ 1,411,966</u>	<u>\$ 126,092,150</u>
Less: accumulated depreciation for				
Buildings	\$ 5,448,151	\$ 548,192	\$ -	\$ 5,996,343
Machinery, furniture, and equipment	6,343,534	1,154,890	1,210,302	6,288,122
Infrastructure	11,667,551	1,669,459	-	13,337,010
	<u>\$ 23,459,236</u>	<u>\$ 3,372,541</u>	<u>\$ 1,210,302</u>	<u>\$ 25,621,475</u>
Total accumulated depreciation	<u>\$ 23,459,236</u>	<u>\$ 3,372,541</u>	<u>\$ 1,210,302</u>	<u>\$ 25,621,475</u>
Total capital assets depreciated, net	<u>\$ 97,662,766</u>	<u>\$ 3,009,573</u>	<u>\$ 201,664</u>	<u>\$ 100,470,675</u>
Capital Assets, Net	<u>\$ 105,954,951</u>	<u>\$ 10,287,523</u>	<u>\$ 965,716</u>	<u>\$ 115,276,758</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	646,791
Public safety		345,131
Highways and streets, including depreciation of infrastructure assets		2,136,332
Health		40,086
Sanitation		6,605
Culture and recreation		197,596
Total Depreciation Expense - Governmental Activities	\$	3,372,541

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2007, is as follows:

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 28,145
General	Road and Bridge	818
General	Library Capital Projects	687
General	Tax Forfeited Land	12,170
Road and Bridge	General	832
Human Services	General	3,817
Debt Service	County Capital Projects	333,619
Total		\$ 380,088

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfers to General Fund from other governmental funds	\$	38,269	Transfer activities to designated fund
Transfers to Debt Service Fund from Road and Bridge Fund		1,325,915	Provide funds for repayment of debt
Transfer to Debt Service Fund from other governmental funds		324,824	Provide funds for repayment of debt
Total Interfund Transfers	\$	1,689,008	

C. Liabilities

1. Payables

Payables at December 31, 2007, were as follows:

		Governmental Activities
Accounts	\$	625,839
Salaries		838,042
Contracts		1,577,882
Due to other governments		189,766
Total Payables	\$	3,231,529

2. Construction Commitments

Chisago County had the following active construction projects at December 31, 2007:

	Spent-to-Date	Remaining Commitment
Governmental Activities Roads and bridges	\$ 12,723,828	\$ 58,105

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Capital Leases

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

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

Lease	Maturity	Installment	Payment Amount	Original	Balance
2007 Caterpillar Wheel Loader	2012	Annually	\$ 25,220	\$ 105,516	\$ 105,516
2007 Caterpillar Wheel Loader	2012	Annually	34,383	143,856	143,856
Buildings and libraries	2026	Annually	Various	10,720,000	7,112,977
Total Capital Leases					<u>\$ 7,362,349</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2007, were as follows:

Year Ending December 31	Governmental Activities
2008	\$ 1,164,017
2009	1,146,769
2010	294,692
2011	307,797
2012	326,097
2013 and beyond	<u>5,220,000</u>
Total minimum lease payments	\$ 8,459,372
Less: amount representing cash with escrow	<u>(1,097,023)</u>
Present Value of Minimum Lease Payments	<u>\$ 7,362,349</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

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

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, 2007, are as follows:

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Balance December 31, 2007
2001 Capital Improvement Bonds	2016	\$240,000 - \$455,000	3.50 - 4.75	\$ 5,000,000	\$ 3,390,000
2002A Capital Improvement Bonds	2018	\$50,000 - \$90,000	4.40 - 4.90	1,000,000	790,000
2002C Refunding Bonds	2008	\$85,000 - \$160,000	2.10 - 4.20	560,000	85,000
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	525,000
2003 Capital Note	2008	\$55,831	3.60	279,153	55,831
2004A State-Aid Road Bonds	2014	\$365,000 - \$450,000	1.50 - 3.30	4,000,000	2,890,000
2005A Road Reconstruction Bonds	2017	\$590,000 - \$835,000	3.50 - 4.00	7,000,000	7,000,000
2005B Capital Notes	2015	\$125,000 - \$195,000	3.60 - 4.00	1,500,000	1,375,000
2006 Capital Improvement Bonds	2026	\$250,000 - \$1,975,000	4.00 - 4.75	14,500,000	14,500,000
2007A State-Aid Road Bonds	2018	\$330,000 - \$470,000	3.65 - 3.85	3,960,000	3,960,000
2007B Temporary Jail Bonds	2010	\$5,500,000	3.75	5,500,000	5,500,000
Total General Obligation Bonds and Notes				\$ 46,019,153	\$ 42,070,831
Add: unamortized premium					108,205
Less: unamortized discount					(99,639)
Total Bonds and Notes, Net					\$ 42,079,397

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2008	\$ 1,485,000	\$ 1,623,433	\$ 205,831	\$ 51,710
2009	2,035,000	1,544,368	155,000	44,178
2010	8,290,000	1,357,708	160,000	38,507
2011	2,890,000	1,154,618	170,000	32,483
2012	2,500,000	1,058,223	175,000	25,969
2013 - 2017	9,700,000	4,068,570	565,000	34,500
2018 - 2022	7,055,000	2,392,365	-	-
2022 - 2026	6,685,000	670,581	-	-
Total	<u>\$ 40,640,000</u>	<u>\$ 13,869,866</u>	<u>\$ 1,430,831</u>	<u>\$ 227,347</u>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 32,230,000	\$ 9,460,000	\$ 1,050,000	\$ 40,640,000	\$ 1,485,000
Capital notes	1,611,660	-	180,829	1,430,831	205,831
East Central Solid Waste Commission (Note 5.C.)	352,800	-	352,800	-	-
Add: unamortized premium	116,438	-	8,233	108,205	-
Less: deferred amounts for issuance discounts	(63,080)	(43,488)	(6,929)	(99,639)	-
Total bonds and notes payable	\$ 34,247,818	\$ 9,416,512	\$ 1,584,933	\$ 42,079,397	\$ 1,690,831
Capital leases	7,813,174	663,336	1,114,161	7,362,349	1,164,017
Compensated absences	2,871,496	371,177	-	3,242,673	1,141,451
Long-Term Liabilities	<u>\$ 44,932,488</u>	<u>\$ 10,451,025</u>	<u>\$ 2,699,094</u>	<u>\$ 52,684,419</u>	<u>\$ 3,996,299</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

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). PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

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 as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

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 defined 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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. 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.

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	2007	2008
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2007	2006	2005
Public Employees Retirement Fund	\$ 855,178	\$ 748,124	\$ 654,265
Public Employees Police and Fire Fund	292,402	235,526	194,836
Public Employees Correctional Fund	88,751	88,493	73,222

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

B. Defined Contribution Plan

Two employees and four County Board members of the County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary,

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2007, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 9,252	\$ 9,252
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

with coverage at \$400,000 per claim in 2007. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

In 2001, Chisago County began to self-insure for employee dental coverage. The County contracts with Delta Dental to administer the County's self-insured dental benefit claims. Delta Dental processes all benefit claims and charges the County an administrative fee. The County maintains a self-insurance account within the General Fund and pays all claims as incurred. For 2007, the County collected premiums of \$244,097 from County departments. For 2006, claims and administrative costs paid were \$278,841.

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

	Year Ended December 31	
	2007	2006
Asset (liability) at January 1	\$ 65,337	\$ 23,691
Current year premiums	244,097	270,202
Claims payments	(278,841)	(228,556)
Asset (Liability) at December 31	\$ 30,593	\$ 65,337

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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 net assets of \$7,275,385 as of December 31, 2007.

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

East Central Solid Waste Commission (Continued)

Each county's 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.

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 \$352,800 for 2007. The Commission's annual financial report showed the bonds were retired as of December 31, 2007.

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

East Central Regional Library

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

The Library's financial statements for the year ended December 31, 2007, show total assets of \$686,018, total liabilities of \$264,941, and total net assets of \$421,077.

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

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

D. Subsequent Event

On September 3, 2008, the County entered into a public utilities construction agreement with the City of Center City to provide public utilities to the site of a planned law enforcement center. The estimated cost of the project to the County is \$1,750,000.

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

The Chisago County Housing and Redevelopment Authority Economic Development Authority's (HRA-EDA) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments 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.

1. Financial Reporting Entity

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

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity (Continued)

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 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.

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.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing activities. The principal operating revenues of the HRA-EDA enterprise fund are rental income and charges for services. Operating expenses for the enterprise fund include costs of maintaining rental facilities, general administrative and marketing expenses, and depreciation expense. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Measurement Focus and Basis of Accounting (Continued)

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

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

4. Assets, Liabilities, and Net Assets

Deposits and Investments

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

Pooled investments are reported at their fair value at December 31, 2007, based on market prices. Investment earnings for 2007 were \$92,315.

The HRA-EDA invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Capital Assets

Capital assets, which include land and land improvements, buildings and structures, and furniture and equipment, are reported in the basic financial statements. Capital assets are defined by the HRA-EDA as assets with an initial individual cost of more than \$500 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40 - 50
Furniture and equipment	3 - 5
Improvements	5 - 20

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.

Net Assets

Equity (assets less liabilities) of the HRA-EDA is referred to as net assets. Net assets consist of three elements: (1) invested in capital assets, net of related debt; (2) restricted, which can occur from creditors, grantors, or laws; and (3) unrestricted, which is neither restricted for any specific purpose nor invested in capital assets.

Use of Estimates

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures (Continued)

B. Detailed Notes

1. Deposits and Investments

Minn. Stat. §§ 118A.02 and 118A.04 authorize the HRA-EDA to deposit its cash and to invest in certificates of deposit in financial institutions designated by the HRA-EDA Treasurer. Minn. Stat. § 118A.03 requires that all HRA-EDA deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds, issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the HRA-EDA's deposits may not be returned to it. The HRA-EDA does not have a policy for custodial credit risk. As of December 31, 2007, the HRA-EDA's deposits were not exposed to custodial credit risk.

Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes

1. Deposits and Investments

Investments (Continued)

- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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

Custodial Credit Risk

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

At December 31, 2007, none of the HRA-EDA's investments were subject to custodial credit risk.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes

1. Deposits and Investments

Investments (Continued)

Concentration of Credit Risk

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

Issuer	Reported Amount
First American Treasury Obligations Fund	\$ 1,097,023

Interest Rate Risk

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

Credit Risk

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

The following table presents the HRA-EDA's deposit and investment balances at December 31, 2007, and information related to credit quality investment risks:

Investment Type	Credit Risk		Carrying (Fair) Value
	Credit Rating	Rating Agency	
First American Treasury Obligations Fund	AAAm	S&P	\$ 1,097,023
Deposits			798,391
Petty cash			60
Total Cash and Investments			\$ 1,895,474

S&P - Standard & Poor's

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes (Continued)

2. Receivables

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

Year Ending December 31	Principal	Interest
2008	\$ 1,120,000	\$ 364,511
2009	1,100,000	312,833
2010	245,000	281,759
2011	255,000	271,447
2012	270,000	260,585
2013 and beyond	5,219,999	1,967,547
Total payments	\$ 8,209,999	\$ 3,458,682
Less: cash with escrow agent	(1,097,023)	
Lease Receivable at December 31, 2007	\$ 7,112,976	

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and land improvements	\$ 243,181	\$ -	\$ -	\$ 243,181
Capital assets depreciated				
Buildings and structures	\$ 5,678,249	\$ 584,250	\$ -	\$ 6,262,499
Furniture and equipment	24,138	5,891	2,098	27,931
Improvements	37,489	23,738	-	61,227
Total capital assets depreciated	\$ 5,739,876	\$ 613,879	\$ 2,098	\$ 6,351,657

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings and structures	\$ 406,888	\$ 126,663	\$ -	\$ 533,551
Furniture and equipment	12,157	3,522	1,863	13,816
Improvements	1,187	5,926	-	7,113
Total accumulated depreciation	\$ 420,232	\$ 136,111	\$ 1,863	\$ 554,480
Total capital assets depreciated, net	\$ 5,319,644	\$ 477,768	\$ 235	\$ 5,797,177
Total Capital Assets, Net	\$ 5,562,825	\$ 477,768	\$ 235	\$ 6,040,358

Depreciation expense was charged as follows:

Housing and Economic Development	\$ 136,111
----------------------------------	------------

4. Long-Term Debt

General Obligation Bonds

The HRA-EDA issues general obligation bonds and promissory notes to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds currently outstanding are as follows:

\$1,200,000 Taxable Revenue Bonds, Series 2006A, due in semi-annual installments of \$6,547 to \$873,219 through 2017; interest of 7.75 percent fixed for five years, then reset to the then current Wall Street Journal prime rate minus 0.5 percent for the remaining five years.	\$ 1,181,222
\$2,445,000 Public General Obligation Housing Development Bonds, Series 2005A, due in annual installments of \$25,000 to \$145,000 through 2035; interest from 3.50 to 4.38 percent.	2,330,000
\$6,740,000 Public Project Revenue Bonds, Library Lease Obligation, Series 2004A, due in annual installments of \$55,000 to \$510,000 through 2026; interest from 3.95 to 5.15 percent.	6,460,000
\$2,000,000 Housing Development Bonds, Series 2003C, due in annual installments ranging from \$35,000 to \$135,000 through 2033; interest from 3.25 to 5.00 percent.	1,930,000

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes

4. Long-Term Debt

General Obligation Bonds (Continued)

\$3,795,000 Housing and Redevelopment Authority Lease Revenue Bonds, Series 1997, due in annual installments of \$200,000 to \$890,000 through 2009; interest from 4.50 to 4.90 percent.	<u>1,750,000</u>
Total bonds	\$ 13,651,222
Less: unamortized discount	<u>(257,107)</u>
Total Bonds Payable	<u>\$ 13,394,115</u>

Note Payable, Due to Primary Government

Notes currently outstanding are as follows:

\$1,000,000 Demand Promissory Note, due in semi-annual interest installments of \$33,750 through 2026, principal due the earlier of 90 days after receipt of demand for payment or 2026.	<u>\$ 1,000,000</u>
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Mortgages Payable

During the year, the HRA-EDA assumed three mortgages through the acquisition of real estate, with the mortgages payable to the United States Department of Agriculture, Rural Development. Two mortgages combined for the acquisition of Rush Estates I, and one mortgage was for Rush Estates II. No repayment schedules for these mortgages are presented as the annual principal and interest payments are determined based on the rental income and a government subsidy received during the year.

Loan number	Rush Estates I		Rush Estates II	Total
	001	002	001	
Original loan amount	\$ 188,916	\$ 30,079	\$ 364,255	\$ 583,250
Principal retired	(556)	(411)	(362)	(1,329)
Outstanding Balance as of December 31, 2007	\$ 188,360	\$ 29,668	\$ 363,893	\$ 581,921
Interest Paid in 2007	\$ 796	\$ 64	\$ 1,273	\$ 2,133

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes

4. Long-Term Debt (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending December 31	General Obligation Bonds		Notes - Demand Promissory		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 1,133,224	\$ 505,188	\$ -	\$ 67,500	\$ 1,133,224	\$ 572,688
2009	1,232,749	590,653	-	67,500	1,232,749	658,153
2010	389,972	553,450	-	67,500	389,972	620,950
2011	407,374	536,412	-	67,500	407,374	603,912
2012	429,739	518,759	-	67,500	429,739	586,259
2013 - 2017	3,298,164	2,252,582	-	337,500	3,298,164	2,590,082
2018 - 2022	2,850,000	1,318,958	-	337,500	2,850,000	1,656,458
2023 - 2027	2,735,000	566,794	1,000,000	270,000	3,735,000	836,794
2028 - 2032	850,000	187,333	-	-	850,000	187,333
2033 - 2035	325,000	20,220	-	-	325,000	20,220
Total	\$ 13,651,222	\$ 7,050,349	\$ 1,000,000	\$ 1,282,500	\$ 14,651,222	\$ 8,332,849

Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
G.O. lease revenue	\$ 2,595,000	\$ -	\$ 845,000	\$ 1,750,000	\$ 890,000
G.O. development	4,340,000	-	80,000	4,260,000	-
G.O. public project	6,685,000	-	225,000	6,460,000	230,000
G.O. revenue bonds	1,200,000	-	18,778	1,181,222	13,224
Note - demand promissory	1,000,000	-	-	1,000,000	-
Mortgage payable	-	583,250	1,329	581,921	-
Compensated absences	24,652	12,412	7,831	29,233	14,616
Less: discount	(267,500)	-	(10,393)	(257,107)	(10,392)
Long-Term Liabilities	\$ 15,577,152	\$ 595,662	\$ 1,167,545	\$ 15,005,269	\$ 1,137,448

C. Other Information

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.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

C. Other Information (Continued)

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, 2007, was \$117,470.

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:

	2007 Contributions	Percent of Covered Payroll
Employer	\$ 5,873	5%
Employee	-	-

As of December 31, 2007, and for the year then ended, the SEP held no securities issued by the HRA-EDA or other related parties.

Contingencies

1. The HRA-EDA partnered with the City of Rush City to construct four townhomes (eight units). The HRA-EDA and Rush City will be reimbursed for their respective shares of construction costs upon the sales. Three of the units were sold in 2007. The HRA-EDA Board is considering constructing five more townhomes (ten units).
2. The HRA-EDA and the City of Rush City are currently in a dispute with a construction manager hired to oversee construction of a senior apartment building and community center in Rush City. Mediation to date has been unsuccessful.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

6. Component Unit Disclosures

C. Other Information

Contingencies (Continued)

3. The HRA-EDA and the City of Wyoming are involved in a mechanic's lien foreclosure action in which the plaintiff is seeking a financial settlement. The HRA-EDA and the City of Wyoming are currently exploring options.

Related Parties

1. A Board member is owner/operator of an insurance agency that provides insurance coverage to the HRA-EDA.
2. A Board member is vice president of a bank awarded a portion of the HRA-EDA's bond issuance in 2006. The total issue was \$1,200,000 at 7.75 percent for the first five years, then reset to the current Wall Street Journal prime rate minus 0.5 percent for the remaining five years.
3. The HRA-EDA has partnered with the City of Rush City to develop senior townhomes for sale within the City. A Board member has an interest in a real estate company which is selling the townhomes.
4. A Board member has an interest in a bank with which the HRA-EDA maintains bank accounts.

Subsequent Event

On January 29, 2008, the Board authorized the redemption of the Housing and Redevelopment Authority Lease Revenue Bonds, Series 1997. The amount paid was \$1,750,000.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

Capital Projects Fund

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

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>County Building</u>	<u>Parks</u>	<u>Ditch</u>	<u>Lake Improvement District</u>
<u>Assets</u>				
Cash and pooled investments	\$ 271,623	\$ 729,826	\$ 105,865	\$ 751,781
Undistributed cash in agency funds	2,106	-	407	3,235
Taxes receivable				
Prior	7,675	-	-	7,043
Special assessments receivable				
Prior	-	-	317	-
Noncurrent	-	-	-	15,925
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
Total Assets	<u>\$ 281,404</u>	<u>\$ 729,826</u>	<u>\$ 106,589</u>	<u>\$ 777,984</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 9,894	\$ -	\$ -	\$ 5,280
Salaries payable	-	-	-	27
Due to other funds	-	-	-	-
Due to other governments	-	-	-	2
Deferred revenue - unavailable	6,177	-	317	4,742
Deferred revenue - unearned	-	-	-	15,925
Total Liabilities	<u>\$ 16,071</u>	<u>\$ -</u>	<u>\$ 317</u>	<u>\$ 25,976</u>
Fund Balances				
Unreserved				
Designated for subsequent year's expenditures	\$ 265,333	\$ 725,000	\$ 105,000	\$ 750,000
Designated for cash flows	-	-	-	-
Undesignated	-	4,826	1,272	2,008
Total Fund Balances	<u>\$ 265,333</u>	<u>\$ 729,826</u>	<u>\$ 106,272</u>	<u>\$ 752,008</u>
Total Liabilities and Fund Balances	<u>\$ 281,404</u>	<u>\$ 729,826</u>	<u>\$ 106,589</u>	<u>\$ 777,984</u>

Statement 1

Special Revenue Funds

<u>Nursing Home</u>	<u>Solid Waste</u>	<u>Capital Equipment</u>	<u>Forfeited Tax Sale</u>	<u>Library Capital Projects Fund</u>	<u>Total</u>
\$ 55,923	\$ 972,717	\$ 2,586,534	\$ 36,205	\$ -	\$ 5,510,474
-	5,624	21,435	-	-	32,807
-	-	80,151	-	-	94,869
-	32,253	-	-	-	32,570
-	-	-	-	-	15,925
-	-	2,067	-	-	2,067
-	2,730	15,000	-	-	17,730
<u>\$ 55,923</u>	<u>\$ 1,013,324</u>	<u>\$ 2,705,187</u>	<u>\$ 36,205</u>	<u>\$ -</u>	<u>\$ 5,706,442</u>
\$ -	\$ 11,906	\$ 11,872	\$ -	\$ 918	\$ 39,870
-	5,549	-	-	-	5,576
-	-	-	12,170	687	12,857
-	813	-	18,655	-	19,470
-	32,253	64,904	-	-	108,393
-	-	-	-	-	15,925
<u>\$ -</u>	<u>\$ 50,521</u>	<u>\$ 76,776</u>	<u>\$ 30,825</u>	<u>\$ 1,605</u>	<u>\$ 202,091</u>
\$ 55,923	\$ 962,803	\$ 1,617,500	\$ -	\$ -	\$ 4,481,559
-	-	900,000	-	-	900,000
-	-	110,911	5,380	(1,605)	122,792
<u>\$ 55,923</u>	<u>\$ 962,803</u>	<u>\$ 2,628,411</u>	<u>\$ 5,380</u>	<u>\$ (1,605)</u>	<u>\$ 5,504,351</u>
<u>\$ 55,923</u>	<u>\$ 1,013,324</u>	<u>\$ 2,705,187</u>	<u>\$ 36,205</u>	<u>\$ -</u>	<u>\$ 5,706,442</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>County Building</u>	<u>Parks</u>	<u>Ditch</u>	<u>Lake Improvement District</u>
Revenues				
Taxes	\$ 161,062	\$ -	\$ -	\$ 240,723
Special assessments	-	-	9,649	-
Licenses and permits	-	-	-	-
Intergovernmental	10,778	175,000	-	12,284
Charges for services	30,881	49,600	-	-
Gifts and contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	\$ 202,721	\$ 224,600	\$ 9,649	\$ 253,007
Expenditures				
Current				
General government	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-
Culture and recreation	-	177,682	-	-
Conservation of natural resources	-	-	-	57,592
Capital outlay	105,460	345,758	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	\$ 105,460	\$ 523,440	\$ -	\$ 57,592
Excess of Revenues Over (Under) Expenditures	\$ 97,261	\$ (298,840)	\$ 9,649	\$ 195,415
Other Financing Sources (Uses)				
Transfers out	(84,920)	-	-	-
Net Change in Fund Balance	\$ 12,341	\$ (298,840)	\$ 9,649	\$ 195,415
Fund Balance - January 1	252,992	1,028,666	96,623	556,593
Fund Balance - December 31	\$ 265,333	\$ 729,826	\$ 106,272	\$ 752,008

Statement 2

Special Revenue Funds

<u>Nursing Home</u>	<u>Solid Waste</u>	<u>Capital Equipment</u>	<u>Forfeited Tax Sale</u>	<u>Missing Heirs</u>	<u>Library Capital Projects Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 1,604,461	\$ 29,972	\$ -	\$ -	\$ 2,036,218
-	355,607	-	-	-	-	365,256
-	1,868	-	-	-	-	1,868
-	144,486	167,513	-	-	-	510,061
-	26,057	56,550	-	-	-	163,088
-	-	1,300	-	-	-	1,300
-	-	-	-	-	486,964	486,964
\$ -	\$ 528,018	\$ 1,829,824	\$ 29,972	\$ -	\$ 486,964	\$ 3,564,755
\$ -	\$ -	\$ -	\$ 19,180	\$ -	\$ -	\$ 19,180
-	322,153	-	-	-	-	322,153
-	-	-	-	-	-	177,682
-	-	-	-	-	-	57,592
-	-	1,819,492	-	-	509,121	2,779,831
170,000	-	-	-	-	-	170,000
5,318	-	-	-	-	-	5,318
\$ 175,318	\$ 322,153	\$ 1,819,492	\$ 19,180	\$ -	\$ 509,121	\$ 3,531,756
\$ (175,318)	\$ 205,865	\$ 10,332	\$ 10,792	\$ -	\$ (22,157)	\$ 32,999
-	(26,000)	(239,904)	(12,170)	(99)	-	(363,093)
\$ (175,318)	\$ 179,865	\$ (229,572)	\$ (1,378)	\$ (99)	\$ (22,157)	\$ (330,094)
231,241	782,938	2,857,983	6,758	99	20,552	5,834,445
\$ 55,923	\$ 962,803	\$ 2,628,411	\$ 5,380	\$ -	\$ (1,605)	\$ 5,504,351

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 171,700	\$ 171,700	\$ 161,062	\$ (10,638)
Intergovernmental	-	-	10,778	10,778
Charges for services	-	-	30,881	30,881
Total Revenues	\$ 171,700	\$ 171,700	\$ 202,721	\$ 31,021
Expenditures				
Capital outlay				
General government	\$ 80,000	\$ 80,000	\$ 84,659	\$ (4,659)
Public safety	-	-	13,462	(13,462)
Highways and streets	-	-	7,339	(7,339)
Total Expenditures	\$ 80,000	\$ 80,000	\$ 105,460	\$ (25,460)
Excess of Revenues Over (Under) Expenditures	\$ 91,700	\$ 91,700	\$ 97,261	\$ 5,561
Other Financing Sources (Uses)				
Transfers out	(91,700)	(91,700)	(84,920)	6,780
Net Change in Fund Balance	\$ -	\$ -	\$ 12,341	\$ 12,341
Fund Balance - January 1	252,992	252,992	252,992	-
Fund Balance - December 31	\$ 252,992	\$ 252,992	\$ 265,333	\$ 12,341

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
PARKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 175,000	\$ 175,000
Charges for services	150,000	150,000	49,600	(100,400)
Total Revenues	\$ 150,000	\$ 150,000	\$ 224,600	\$ 74,600
Expenditures				
Current				
Culture and recreation				
Parks	\$ 150,000	\$ 150,000	\$ 177,682	\$ (27,682)
Capital outlay				
Culture and recreation	-	-	345,758	(345,758)
Total Expenditures	\$ 150,000	\$ 150,000	\$ 523,440	\$ (373,440)
Net Change in Fund Balance	\$ -	\$ -	\$ (298,840)	\$ (298,840)
Fund Balance - January 1	1,028,666	1,028,666	1,028,666	-
Fund Balance - December 31	\$ 1,028,666	\$ 1,028,666	\$ 729,826	\$ (298,840)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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	\$ 9,649	\$ 1,649
Expenditures				
Current				
Conservation of natural resources				
Ditch	8,000	8,000	-	8,000
Net Change in Fund Balance	\$ -	\$ -	\$ 9,649	\$ 9,649
Fund Balance - January 1	96,623	96,623	96,623	-
Fund Balance - December 31	<u>\$ 96,623</u>	<u>\$ 96,623</u>	<u>\$ 106,272</u>	<u>\$ 9,649</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
LAKE IMPROVEMENT DISTRICT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 250,000	\$ 250,000	\$ 240,723	\$ (9,277)
Intergovernmental	-	-	12,284	12,284
Total Revenues	\$ 250,000	\$ 250,000	\$ 253,007	\$ 3,007
Expenditures				
Current				
Conservation of natural resources				
Lake improvement district	250,000	250,000	57,592	192,408
Net Change in Fund Balance	\$ -	\$ -	\$ 195,415	\$ 195,415
Fund Balance - January 1	556,593	556,593	556,593	-
Fund Balance - December 31	\$ 556,593	\$ 556,593	\$ 752,008	\$ 195,415

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
NURSING HOME SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures				
Debt service				
Principal	\$ 40,000	\$ 40,000	\$ 170,000	\$ (130,000)
Interest	9,415	9,415	5,318	4,097
Total Expenditures	\$ 49,415	\$ 49,415	\$ 175,318	\$ (125,903)
Net Change in Fund Balance	\$ (49,415)	\$ (49,415)	\$ (175,318)	\$ (125,903)
Fund Balance - January 1	231,241	231,241	231,241	-
Fund Balance - December 31	\$ 181,826	\$ 181,826	\$ 55,923	\$ (125,903)

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 345,000	\$ 345,000	\$ 355,607	\$ 10,607
Licenses and permits	4,000	4,000	1,868	(2,132)
Intergovernmental	132,000	132,000	144,486	12,486
Charges for services	12,000	12,000	26,057	14,057
Total Revenues	\$ 493,000	\$ 493,000	\$ 528,018	\$ 35,018
Expenditures				
Current				
Sanitation				
Recycling	\$ 182,310	\$ 182,310	\$ 125,423	\$ 56,887
Hazardous waste	168,852	168,852	181,008	(12,156)
Other	5,000	5,000	15,722	(10,722)
Total Expenditures	\$ 356,162	\$ 356,162	\$ 322,153	\$ 34,009
Excess of Revenues Over (Under) Expenditures	\$ 136,838	\$ 136,838	\$ 205,865	\$ 69,027
Other Financing Sources (Uses)				
Transfers out	(23,000)	(23,000)	(26,000)	(3,000)
Net Change in Fund Balance	\$ 113,838	\$ 113,838	\$ 179,865	\$ 66,027
Fund Balance - January 1	782,938	782,938	782,938	-
Fund Balance - December 31	\$ 896,776	\$ 896,776	\$ 962,803	\$ 66,027

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 10

**BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,702,368	\$ 1,702,368	\$ 1,604,461	\$ (97,907)
Intergovernmental	-	-	167,513	167,513
Charges for services	-	-	56,550	56,550
Gifts and contributions	-	-	1,300	1,300
Total Revenues	\$ 1,702,368	\$ 1,702,368	\$ 1,829,824	\$ 127,456
Expenditures				
Capital outlay				
General government	\$ 1,500,000	\$ 1,500,000	\$ 868,983	\$ 631,017
Public safety	-	-	280,621	(280,621)
Highways and streets	-	-	560,478	(560,478)
Culture and recreation	-	-	52,582	(52,582)
Economic development	-	-	56,828	(56,828)
Total Expenditures	\$ 1,500,000	\$ 1,500,000	\$ 1,819,492	\$ (319,492)
Excess of Revenues Over (Under) Expenditures	\$ 202,368	\$ 202,368	\$ 10,332	\$ (192,036)
Other Financing Sources (Uses)				
Transfers out	(202,368)	(202,368)	(239,904)	(37,536)
Net Change in Fund Balance	\$ -	\$ -	\$ (229,572)	\$ (229,572)
Fund Balance - January 1	2,857,983	2,857,983	2,857,983	-
Fund Balance - December 31	\$ 2,857,983	\$ 2,857,983	\$ 2,628,411	\$ (229,572)

**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 available through this program.

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

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

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

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

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

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

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>EMPLOYEE RECOGNITION</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,621	\$ 916	\$ 1,085	\$ 2,452
<u>Liabilities</u>				
Accounts payable	\$ 2,621	\$ 916	\$ 1,085	\$ 2,452
 <u>FLEXIBLE BENEFITS PLAN</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 46,260	\$ 187,718	\$ 189,446	\$ 44,532
<u>Liabilities</u>				
Deferred benefits	\$ 46,260	\$ 187,718	\$ 189,446	\$ 44,532
 <u>REGION 7E</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 77,244	\$ 77,244	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 77,244	\$ 77,244	\$ -

**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, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 16,576,183	\$ 16,576,183	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 16,576,183	\$ 16,576,183	\$ -
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 448,633	\$ 66,765,644	\$ 66,737,516	\$ 476,761
<u>Liabilities</u>				
Unapportioned taxes	\$ -	\$ 383,251	\$ 383,251	\$ -
Unapportioned special assessments	-	6,977	6,977	-
Due to other governments	448,633	66,375,416	66,347,288	476,761
Total Liabilities	\$ 448,633	\$ 66,765,644	\$ 66,737,516	\$ 476,761
 <u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 21,186,857	\$ 21,186,857	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 21,186,857	\$ 21,186,857	\$ -

**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, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 362,057	\$ 2,896,215	\$ 2,966,922	\$ 291,350
<u>Liabilities</u>				
Due to other governments	\$ 362,057	\$ 2,896,215	\$ 2,966,922	\$ 291,350
 <u>LOCAL COLLABORATIVES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 326,352	\$ 153,541	\$ 249,397	\$ 230,496
<u>Liabilities</u>				
Due to other governments	\$ 326,352	\$ 153,541	\$ 249,397	\$ 230,496
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,185,923	\$ 107,844,318	\$ 107,984,650	\$ 1,045,591
<u>Liabilities</u>				
Accounts payable	\$ 2,621	\$ 916	\$ 1,085	\$ 2,452
Unapportioned taxes	-	383,251	383,251	-
Unapportioned special assessments	-	6,977	6,977	-
Deferred benefits	46,260	187,718	189,446	44,532
Due to other governments	1,137,042	107,265,456	107,403,891	998,607
Total Liabilities	\$ 1,185,923	\$ 107,844,318	\$ 107,984,650	\$ 1,045,591

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SUPPORTING SCHEDULES

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 11

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

	Taxes Payable in Year					
	2006		2007		2008	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 44,916,092		\$ 50,719,836		\$ 54,952,451	
Personal property	887,093		913,744		907,223	
Total Tax Capacity	\$ 45,803,185		\$ 51,633,580		\$ 55,859,674	
Taxes Levied for County Purposes						
County Revenue	\$ 10,557,488	23.634	\$ 11,690,693	23.205	\$ 13,295,124	24.233
Road and Bridge	3,990,798	8.934	4,936,025	9.798	5,100,576	9.297
Road and Bridge Bonds	609,873	1.359	865,203	1.710	2,406,130	4.366
Welfare	5,299,257	11.862	6,030,000	11.969	6,331,500	11.540
Building Repair	80,000	0.179	80,000	0.159	80,000	0.146
Building Repair Bonds	91,700	0.204	91,700	0.181	91,500	0.166
Regional Library*	478,435	1.089	516,653	1.042	571,797	1.058
Library Bonds	540,248	1.229	536,200	1.081	536,713	0.993
Capital Equipment	1,897,000	4.247	1,500,000	2.977	1,255,000	2.288
Capital Equipment Notes	203,509	0.454	202,368	0.400	212,066	0.385
Highway Building Bonds	802,000	1.795	802,000	1.592	93,019	0.169
Total Levy for County Purposes	\$ 24,550,308	54.986	\$ 27,250,842	54.114	\$ 29,973,425	54.641
Less Credits Payable by State	1,614,471		1,524,783		1,536,002	
Net Levy for County Purposes	\$ 22,935,837		\$ 25,726,059		\$ 28,437,423	
Market Value - Light and Power						
Transmission lines	\$ 4,699,100		\$ 4,999,000		\$ 4,625,800	
Distribution lines	1,005,300		1,069,600		989,600	
Total Market Value - Light and Power	\$ 5,704,400		\$ 6,068,600		\$ 5,615,400	
Tax Capacity - Light and Power						
Transmission lines	\$ 93,982		\$ 99,980		\$ 92,516	
Distribution lines	20,106		21,392		19,792	
Total Tax Capacity - Light and Power	\$ 114,088		\$ 121,372		\$ 112,308	

*Levy applies to selected areas only.

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

*Schedule 11
(Continued)*

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

	Taxes Payable in Year					
	2006		2007		2008	
	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	\$ 3,494	0.07434	\$ 3,802	0.07605	\$ 3,512	0.07590
Distribution lines - market value	748	0.07434	813	0.07605	751	0.07590
Transmission lines - tax capacity	107,842	114.748	112,052	112.074	100,759	108.910
Distribution lines - tax capacity	<u>23,072</u>	114.748	<u>23,974</u>	112.074	<u>21,555</u>	108.910
Total Light and Power Tax Levies	<u>\$ 135,156</u>		<u>\$ 140,641</u>		<u>\$ 126,577</u>	
Special Assessments						
Ditch liens, fees, and assessments	<u>\$ 454,096</u>		<u>\$ 353,112</u>		<u>\$ 224,260</u>	
Percentage of Tax Collections for All Purposes	97.10%		96.70%			

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2007**

	Assets			Total
	Cash	Special Assessments Receivable		
		Unapportioned	Delinquent	
Judicial Ditch				
2	\$ (33)	\$ -	\$ -	\$ (33)
County Ditches				
1	(395)	-	-	(395)
2	7,702	2	5	7,709
3	1,993	9	36	2,038
4	2,548	-	1	2,549
5	32,937	-	-	32,937
6	10,589	1	34	10,624
7	22,810	2	34	22,846
8	1,077	34	8	1,119
9	1,795	312	155	2,262
10	20,646	7	26	20,679
11	(59)	-	-	(59)
14	4,255	40	18	4,313
Total	\$ 105,865	\$ 407	\$ 317	\$ 106,589

Schedule 12

<u>Liabilities</u> <u>Deferred</u> <u>Revenue</u>	<u>Fund Balances</u>			<u>Total</u> <u>Liabilities and</u> <u>Fund Balances</u>
	<u>Designated</u>	<u>Undesignated</u>	<u>Total</u>	
\$ -	\$ -	\$ (33)	\$ (33)	\$ (33)
-	-	(395)	(395)	(395)
5	7,605	99	7,704	7,709
36	1,968	34	2,002	2,038
1	2,515	33	2,548	2,549
-	32,518	419	32,937	32,937
34	10,454	136	10,590	10,624
34	22,520	292	22,812	22,846
8	1,063	48	1,111	1,119
155	1,773	334	2,107	2,262
26	20,384	269	20,653	20,679
-	-	(59)	(59)	(59)
18	4,200	95	4,295	4,313
<u>\$ 317</u>	<u>\$ 105,000</u>	<u>\$ 1,272</u>	<u>\$ 106,272</u>	<u>\$ 106,589</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 13

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Shared Revenue

State

Highway users tax	\$	2,451,790
Market value credit		1,549,835
Market value credit - mobile home		27,727
PERA rate reimbursement		48,855
Disparity reduction aid		3,878
County program aid		1,856,761
Police aid		235,527
E-911		114,950
		114,950

Total Shared Revenue **\$ 6,289,323**

Reimbursement for Services

State

Minnesota Department of Trial Courts	\$	271,713
Minnesota Department of Human Services		3,078,777
		3,078,777

Total Reimbursement for Services **\$ 3,350,490**

Payments

Local

Payments in lieu of taxes	\$	585,719
City contributions		52,690
		52,690

Total Local Payments **\$ 638,409**

Grants

State

Minnesota Department/Board of		
Corrections	\$	279,349
Public Safety		36,842
Transportation		227,484
Health		591,388
Natural Resources		227,993
Human Services		1,786,735
Water and Soil Resources		115,877
Peace Officer Standards and Training Board		15,275
Office of Environmental Assistance		116,590
Pollution Control Agency		27,896
		27,896

Total State **\$ 3,429,629**

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

**Schedule 13
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Grants (Continued)

Federal

Department of Agriculture	\$ 135,243
Justice	88,030
Transportation	177,262
Health and Human Services	1,531,623
Homeland Security	32,585
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Total Federal **\$ 1,964,743**

Total State and Federal Grants **\$ 5,394,372**

Total Intergovernmental Revenue **\$ 15,672,594**

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 14

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Chisago County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Chisago County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Chisago County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Chisago County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Temporary Assistance for Needy Families (TANF)	CFDA #93.558
Social Services Block Grant Title XX	CFDA #93.667
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Chisago County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-3 Segregation of Duties

Due to the limited number of office personnel within various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Offices that do not have sufficient segregation of duties include the County Auditor's Office, County Treasurer's Office, County Sheriff's Office, County Recorder's Office, Highway Engineer's Office, the County's Environmental Services' Office, the Health and Human Services Department, and the Payroll Department. This is not unusual in operations the size of Chisago County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Client's Response:

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

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

Recommendations were made to the operating procedures and related documentation practices of the Social Services Division. Our follow up on these recommendations found the first item has been resolved, and the second item is being repeated.

- We recommended written accounting policies and procedures be developed for the Social Services Division and adopted by the County Board. Our follow up found that written policies and procedures were developed for the Social Services Division and were adopted by the County Board on November 28, 2007. As a result, this item is resolved.

- We noted that there was not a specific process for creating new vendors in the accounting system. It appeared several Social Services staff had the ability to create new vendors without supervisory oversight. We recommended a policy be established to provide accountability for creating new vendors. Our follow up this year found no change in this condition. We again recommend that management of the Health and Human Services Department take steps to create accountability for those staff involved in creating new vendors.

We will review progress on the unresolved item in our subsequent audit.

Client's Response:

Chisago County Health and Human Services, as part of its contracting process, sees all current and new vendors in person for establishment of a county contract. While Health and Human Services has a vendor establishment process, commencing immediately but no later than 1-1-09 to allow for employee training, that process has been enhanced for those vendor payments that do not have a complete host county contract. Specifically, accounting personnel will check each new vendor request for vendor presence, either through a phone call, meeting the vendor in person, or by accepting the signed statement from a program supervisor that the vendor being established is a true, legitimate vendor and does exist in the capacity of vendor. HHS does not record these vendor contacts in the IFS system, and instead maintains a paper document related to vendor establishment. Added to that document will be notation of new vendor contact, through what means this contact was achieved, inclusive of date, time, name, and position of person that verified the presence of the vendor.

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

Recommendations were made to the operating procedures and related documentation practices of the Income Maintenance Division. Our follow up on these recommendations found the first item has been resolved, and the other two are being repeated.

Schedule 14
(Continued)

- In addition to performing duties as the Director of Finance and Operations for the Health and Human Services Department, the Director is also involved with the Developmental Disabilities (DD) Program by creating contracts with new vendors, approving client case plans for the DD case workers, supervising case workers, and reviewing cases of the DD case workers on an annual basis. The duties with the DD Program are not compatible with those of the Director of Finance and Operations. We recommended that duties of the DD Program be assigned to someone else. During 2007, the duties of the DD Program were transferred to the Adult Public Health Supervisor, so this item is resolved.
- Procedures are not in place to ensure that case files receive a supervisory review on a regular basis. At the time of our review, we were informed that few case files had been reviewed recently. Our follow up this year found no change in the condition. We again recommend that written procedures be developed that call for regular reviews of case files. The reviews should be documented by a supervisor's sign-off. Management of the Health and Human Services Department should monitor for compliance with this procedure.
- We found that no documentation was maintained on vendors created in the County's IFS to verify their legitimacy for providing goods and services to the Health and Human Services Department. Our follow up this year found no change in the condition. We again recommend that new vendors be verified and that documentation of this process be maintained.

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

Client's Response:

Chisago County Health and Human Services Income Maintenance file reviews on all Food Support cases started in February 2008, using a peer review methodology accompanied by follow up supervisory reviews. In addition, random cases, in all Income Maintenance programs, were reviewed by a supervisor. We anticipate the procedure for Income Maintenance file reviews will be finalized by the end of this year, for full implementation in 2009.

Chisago County Health and Human Services, as part of its contracting process, sees all current and new vendors in person for establishment of a county contract. While Health and Human Services has a vendor establishment process, commencing immediately but no later than 1-1-09 to allow for employee training, that process has been enhanced for

those vendor payments that do not have a complete host county contract. Specifically, accounting personnel will check each new vendor request for vendor presence, either through a phone call, meeting the vendor in person, or by accepting the signed statement from a program supervisor that the vendor being established is a true, legitimate vendor and does exist in the capacity of vendor. HHS does not record these vendor contacts in the IFS system, and instead maintains a paper document related to vendor establishment. Added to that document will be notation of new vendor contact, thru what means this contact was achieved, inclusive of date, time, name, and position of person that verified the presence of the vendor.

06-2 Payroll-Related Matters

Recommendations were made to the payroll activities in the County during the previous audit. Our follow up on these recommendations found the first two items were resolved, while the third item is being repeated. In addition, three new findings were added from the current audit.

- Access to the system was not sufficiently restricted. We found that several individuals had direct access that would allow them to change pay rates as well as add individuals to the system. This condition represents a serious weakness to the County's internal controls. Our current review of access to Paymate found that access to personnel outside of Human Resources has been limited and this comment is resolved.
- We found seasonal employees classified in an active status when they should have been classified as inactive. An active status could result in a payment being made to those employees while not working. No similar items were found during the 2007 audit. This comment is resolved.
- During 2006, Blue Cross Blue Shield automatically withdrew funds from the County's bank account for monthly insurance premiums. No reconciliation was performed between amounts withdrawn and the actual amount invoiced for the premiums. From our own reconciliation for August 2006, we could not account for \$180,000 withdrawn from the County's bank account by Blue Cross Blue Shield. The County's response in the previous audit report said documentation was recovered verifying the automatic withdrawal in the amount of \$184,184. The County also indicated that reconciling insurance premiums was started when the County switched to Medica. Our current review found that County staff had not resolved the question involving \$180,000 and that reconciliations were not being performed.

Schedule 14
(Continued)

We again recommend that the County inquire with Blue Cross Blue Shield as to the premiums that should have been charged for August 2006 to determine if the correct amount was withdrawn from County funds. We also recommend that a procedure be implemented to reconcile insurance premiums invoiced to the County with amounts paid by the County. Finally we recommend that a procedure be implemented to reconcile the amounts deducted from employees' and County accounts by Paymate with the amounts billed by the insurance companies and payments made by the County. These reconciliations should be performed for the 2007 fiscal year and at least annually thereafter.

Client's Response:

A thorough review discovered that two reimbursed payments were credited to another county account. Also Blue Cross made an error on a reimbursement check, shorting Chisago County. Chisago County has been reimbursed from Blue Cross and Blue Shield. Chisago County has corrected the error in the account allocation.

Chisago County realized that despite its best efforts, the coordination between the payroll, auditor, and treasurer's office needed to be improved. In 2008, the Chisago County Board authorized a new position for deputy county auditor. We believe that this position will improve coordination, provide a more thorough review of financial transactions as well as satisfy the new reporting requirements of the State of Minnesota.

- As part of our review for 2007, a confirmation was sent to Medica to verify payments made by the County. This confirmation showed all activity for 2007 and through September 1, 2008. A review of this information found the County has not made a payment to Medica since June 27, 2008, and the amount owing as of September 1, 2008, was \$988,322.

We recommend the County complete the reconciliation described above to determine if it is in agreement with the balance on the confirmation. When the outstanding balance has been determined, payment should be made to Medica to prevent penalties and interest from accruing.

Client's Response:

These bills were paid and are being reconciled on a monthly basis.

- Our review of the health insurance claims found the invoices are not attached to the claim form when payment is requested from the Auditor's Office. The Chisago County Accounting Policies and Procedures Handbook states that invoices should be sent to the Auditor's Office for payment. The documentation should be attached to claim forms to support the amount being paid.

We recommend the health insurance invoices be attached to claim forms that are sent to the Auditor's Office to comply with County policy and to maintain internal control. All claims and invoices should be retained by the County Auditor.

Client's Response:

Health insurance invoices will be attached to claim forms that are sent to the Auditor's Office, to comply with County policy and to maintain internal control. All claims and invoices will be retained by the County Auditor.

- We found that checks written to Medica are given to the Human Resources Director to mail after they are signed in the Treasurer's Office. The Chisago County Accounting Policies and Procedures Handbook states that warrants are to be brought to the Treasurer's Office for mailing.

We recommend that checks for health insurance claims be mailed by the Treasurer's Office to comply with County policy and maintain good internal control.

Client's Response:

All checks written to Medica have and will be mailed out from the Treasurer's Office to comply with County policy and maintain good internal control.

ITEM ARISING THIS YEAR

07-1 Assessing and Monitoring Internal Controls

County management is responsible for monitoring its internal controls. This requires performing a risk assessment of existing controls over significant functions of the accounting system used to produce financial information for members of the County Board, management, and external financial reporting. The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

This audit report includes significant deficiencies in County payroll matters as well as the operations and procedures of the Health and Human Services Department. The presence of significant deficiencies in these areas indicates that internal controls may be ineffective or monitoring may be absent.

We recommend that County management implement procedures to document the significant internal controls in its accounting system. We also recommend a formal plan be developed that calls for assessing and monitoring significant internal controls on a regular basis, no less than annually. The assessment of risks should be documented and procedures implemented to address those risks found. Monitoring procedures should be documented to show the results of the review, changes required, and who performed the work.

Client's Response:

In 2008, the Chisago County Board authorized a new position for deputy county auditor. We believe that this position will improve coordination, provide a more thorough review of financial transactions as well as satisfy the new reporting requirements of the State of Minnesota. The deputy county auditor's task for 2009 will be to place internal controls in the area of cash and investment activities, capital assets, expenditure processing, and payroll.

III. OTHER FINDINGS AND RECOMMENDATIONS

A. LEGAL COMPLIANCE

PREVIOUSLY REPORT ITEM RESOLVED

Security Interest in Pledged Collateral (05-5)

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

Resolution

We found that the County had acquired the documentation with the statement required by the Minnesota statute mentioned above.

B. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

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

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

In 2008, the legislature enacted a new law, Minn. Stat § 471.6175, intended to help local governments address their OPEB liability in at least three important ways:

- it allows governments to create both revocable and irrevocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both revocable and irrevocable OPEB trusts; and
- it also permits governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

Schedule 14
(Continued)

Some of the issues that the County Board will need to address in order to comply with GASB Statement 45 are:

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

If applicable for Chisago County, GASB Statement 45 would be implemented for the year ending December 31, 2008.

Client's Response:

The County Auditor will explore the issue of OPEB involving our County employees and recommend a plan for implementation to the County Board. In addition, the Chisago County Board has approved Hidli, Inc. to do the GASB 45 study. Upon completion, we will be implementing GASB 45.



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

Board of County Commissioners
Chisago County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chisago County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement or the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-3, 05-3, 06-1, 06-2, and 07-1 to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Chisago County complied with the material terms and conditions of applicable legal provisions.

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 31, 2008

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

Board of County Commissioners
Chisago County

Compliance

We have audited the compliance of Chisago County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Chisago County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Chisago County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Chisago County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chisago County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 31, 2008. Our audit was performed for the purpose of forming opinions on the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is

presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 31, 2008

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 15

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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	\$ 127,561
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	<u>7,682</u>
Total U.S. Department of Agriculture		<u>\$ 135,243</u>
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	\$ 427
Passed Through Minnesota Department of Public Safety Edward Byrne Memorial Justice Assistance	16.738	<u>87,603</u>
Total U.S. Department of Justice		<u>\$ 88,030</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 2,821
Federal Transit Capital Assistance Grant	20.507	<u>174,441</u>
Total U.S. Department of Transportation		<u>\$ 177,262</u>
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	\$ 65,364
Promoting Safe and Stable Families	93.556	15,282
Temporary Assistance for Needy Families (TANF) Child Care Cluster	93.558	958,576
Child Care and Development Block Grant	93.575	10,000
Child Care Mandatory Matching Funds	93.596	13,913
Child Abuse Prevention and Treatment Act	93.669	850
Foster Care Title IV-E	93.658	164,323
Social Services Block Grant Title XX	93.667	239,973
Chafee Foster Care Independent Living	93.674	10,380
Community Mental Health Block Grant	93.958	13,280
Maternal and Child Health Services Block Grant	93.994	<u>39,682</u>
Total U.S. Department of Health and Human Services		<u>\$ 1,531,623</u>

**CHISAGO COUNTY
CENTER CITY, MINNESOTA**

Schedule 15
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Program	97.004	\$ 15,000
Emergency Management Performance Grants	97.042	17,585
Total U.S. Department of Homeland Security		\$ 32,585
Total Federal Awards		\$ 1,964,743

Notes to Schedule of Expenditures of Federal Awards

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