

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

ISANTI COUNTY
CAMBRIDGE, MINNESOTA

YEAR ENDED DECEMBER 31, 2006

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

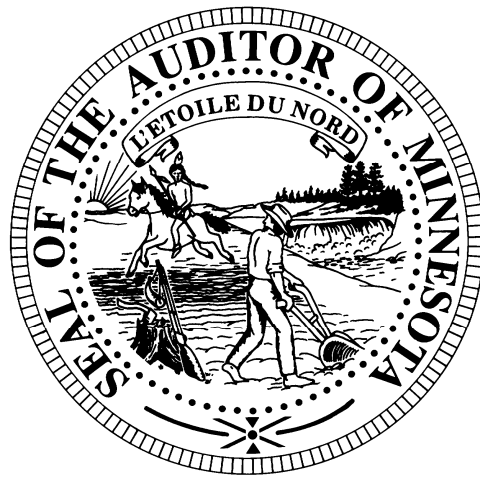
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Year Ended December 31, 2006



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

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

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CAMBRIDGE, MINNESOTA**

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2006**

| | | | <u>Term Expires</u> |
|---------------------------------|----------------------|------------|---------------------|
| Elected | | | |
| Commissioners | | | |
| Board Member | George I. Larson | District 1 | January 2007 |
| Vice Chair | Larry L. Southerland | District 2 | January 2009 |
| Board Member | Tom Pagel | District 3 | January 2009 |
| Board Member | Kurt Daudt | District 4 | January 2009 |
| Chair | Glenn E. Johnson | District 5 | January 2007 |
| Attorney | Jeffrey Edblad | | January 2007 |
| Auditor | Terry F. Treichel | | January 2007 |
| Coroner | Donald Deye, M.D. | | January 2007 |
| Recorder/Registrar of Titles | Karen D. Anderson | | January 2007 |
| County Sheriff | Mike Ammend | | January 2007 |
| Treasurer | Lyle Myren | | January 2007 |
| Appointed | | | |
| Assessor (interim) ¹ | Michelle Bolen | | December 2008 |
| Court Administrator | Sue LaBore | | Indefinite |
| Highway Engineer | Richard Heilman | | April 2010 |
| Probation Officer | Joseph W. Hancuch | | Indefinite |
| Surveyor | Don E. Hansen | | February 2007 |
| Veterans Service Officer | James Rostberg | | February 2010 |
| Human Services Director | Kevin S. VanHooser | | Indefinite |
| County Coordinator | Jerry Tvedt | | Indefinite |

¹In October 2006, the County Board appointed Michelle Bolen to complete Curtis Becker's term.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Isanti County

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isanti County, Minnesota, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Isanti 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isanti County as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily 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 Isanti County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2007, on our consideration of Isanti 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

REBECCA OTTO
STATE AUDITOR

September 14, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

(Unaudited)

Isanti County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2006. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets of Isanti County exceeded its liabilities by \$62,513,949 at the end of 2006. Of this amount, \$11,076,393 (17.7 percent) is available to finance the County's day-to-day operations and ongoing obligations.
- The County's net assets increased by \$3,773,637 during 2006. This is an increase of 6.4 percent from the previous year.
- The County continues to fund its operations through a variety of revenue sources. Property taxes were used to finance less than half (43.2 percent) of the total cost of governmental activities.
- The governmental funds' combined fund balance decreased \$471,443 in 2006 as a result of an increase in capital project spending. However, the General Fund, Human Services Special Revenue Fund, and Road and Bridge Special Revenue Fund all report healthy fund balances at fiscal year-end.
- The County's capital assets increased \$5,043,321 (9.5 percent) as the County continued construction projects for roadways and buildings.
- The County reduced its long-term debt by \$919,037 in 2006. The County did not issue any bonds or notes during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to Isanti County's basic financial statements. The County's basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

Government-Wide Financial Statements

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

The Statement of Net Assets (Exhibit 1) presents information on all of the County's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities (Exhibit 2) 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 expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The County's government-wide financial statements report functions of the County principally supported by taxes and intergovernmental revenue. These functions are collectively referred to as governmental activities. The governmental activities of the County include general government, public safety, highways and streets, human services, health, culture and recreation, conservation of natural resources, and economic development.

The government-wide financial statements include not only Isanti County itself (known as the primary government), but also legally separate entities known as the Green Lake Improvement District and the Long Lake Improvement District for which Isanti County is financially accountable. Financial information for these discretely presented component units is reported separately from the financial information presented herein for the primary government itself.

The government-wide statements can be found on pages 13 through 16 of this report.

Fund Financial Statements

A “fund” is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Isanti County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of Isanti County can be divided into two categories: governmental funds and fiduciary 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, governmental fund 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 financial 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 financial decisions. Both the governmental fund Balance Sheet (Exhibit 3) and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance (Exhibit 5) are followed by a reconciliation (Exhibits 4 and 6) to facilitate this comparison between governmental funds and governmental activities.

Isanti County reports five major governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Debt Service Fund, and Capital Projects Fund. The other governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 17 through 24 of this report.

Fiduciary funds are used to account for assets held by the County as an agent for external parties. Isanti County’s fiduciary funds consist of three agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the 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 own programs.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 29 through 60 of this report.

Other Information

In addition to the basic financial statements and notes, this report also presents certain supplementary information and supporting schedules.

Isanti County adopts an annual budget for each of its major funds, except the Capital Projects Fund. A budgetary comparison schedule is presented for the budgeted major funds to demonstrate compliance with these budgets.

The budgetary comparison schedules can be found on pages 61 through 66 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the change in net asset amounts may serve as a useful indicator of a government's financial position over time. Isanti County's assets exceeded liabilities by \$62,513,949 at the close of 2006.

Table 1
Net Assets

| | Governmental Activities | |
|-------------------------------------------------|-------------------------|--------------------|
| | 2006 | 2005 (Restated) |
| Current and other assets | \$ 16,311,464 | \$ 18,180,423 |
| Capital assets | 58,029,832 | 52,986,511 |
| Total Assets | \$ 74,341,296 | \$ 71,166,934 |
| Long-term debt outstanding | \$ 9,885,632 | \$ 10,717,936 |
| Other liabilities | 1,941,715 | 1,708,686 |
| Total Liabilities | \$ 11,827,347 | \$ 12,426,622 |
| Net Assets | | |
| Invested in capital assets, net of related debt | \$ 49,603,612 | \$ 43,684,647 |
| Restricted | 1,833,944 | 2,028,957 |
| Unrestricted | 11,076,393 | 13,026,708 |
| Total Net Assets | \$ 62,513,949 | \$ 58,740,312 |

The largest portion of Isanti County's net assets, \$49,603,612 (79.4 percent of total net assets), reflects the County's investment in capital assets (such as land, buildings, infrastructure, and equipment), less any outstanding debt used to acquire those assets. It should be noted that these assets are not readily available for future spending.

The unrestricted net asset amount of \$11,076,393 (17.7 percent) may be used to meet the County's ongoing obligations to citizens and creditors.

The restricted net asset amount of \$1,833,944 (2.9 percent) represents resources whose use is restricted by external requirements such as debt covenants and legislation.

Governmental Activities

For fiscal year 2006, Isanti County's net assets increased by \$3,773,637. This represents a 6.4 percent increase from the previous year's net assets. This increase is primarily due to the acquisition of capital assets, including the purchase of equipment and the completion of building and highway construction projects.

Table 2
Changes in Net Assets

| | Governmental Activities | |
|--------------------------------------------|-------------------------|----------------------|
| | 2006 | 2005 (Restated) |
| Revenues | | |
| Program revenues | | |
| Fees, fines, and charges | \$ 3,603,700 | \$ 4,047,786 |
| Operating grants and contributions | 9,936,564 | 8,423,376 |
| Capital grants and contributions | 2,029,510 | 2,851,537 |
| General revenues | | |
| Property taxes | 11,780,833 | 11,195,225 |
| Other taxes | 131,737 | 97,699 |
| Grants not restricted to specific programs | 2,969,987 | 2,902,096 |
| Investment earnings | 550,972 | 354,817 |
| Miscellaneous | 25,734 | 6,781 |
| Total Revenues | \$ 31,029,037 | \$ 29,879,317 |
| Expenses | | |
| General government | \$ 5,448,844 | \$ 5,491,008 |
| Public safety | 5,884,399 | 5,015,073 |
| Highways and streets | 2,906,716 | 3,910,593 |
| Human services | 9,423,712 | 8,677,376 |
| Health | 1,438,786 | 1,337,553 |
| Culture and recreation | 625,225 | 521,885 |
| Conservation of natural resources | 299,708 | 241,606 |
| Economic development | 862,950 | 744,030 |
| Interest | 365,060 | 273,299 |
| Total Expenses | \$ 27,255,400 | \$ 26,212,423 |
| Increase in Net Assets | \$ 3,773,637 | \$ 3,666,894 |

The County's total expenditures were \$27,255,400 in 2006. This amount can be viewed as the total cost of all governmental activities. However, property taxes were used to finance only \$11,685,626 (42.9 percent of total costs) of these activities. The remaining costs were financed through fees charged to those benefiting from the programs (\$3,603,700--13.2 percent) as well as grants and contributions (\$11,966,074--43.9 percent).

Table 3 presents the cost of each of the County's five largest program functions as well as each function's net cost (total cost, less revenues generated by the function's activities). The net cost represents the financial burden that was placed on the County's taxpayers by each of these functions.

**Table 3
Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|----------------------|------------------------|----------------------|----------------------|----------------------|
| | 2006 | 2005 (Restated) | 2006 | 2005 (Restated) |
| General government | \$ 5,448,844 | \$ 5,491,008 | \$ 3,809,391 | \$ 3,330,765 |
| Public safety | 5,884,399 | 5,015,073 | 4,855,126 | 3,213,282 |
| Highways and streets | 2,906,716 | 3,910,593 | (1,516,834) | (73,309) |
| Human services | 9,423,712 | 8,677,376 | 3,358,892 | 2,834,759 |
| Health | 1,438,786 | 1,337,553 | (7,524) | 130,913 |
| All others | 2,152,943 | 1,780,820 | 1,186,575 | 1,453,314 |
| Totals | \$ 27,255,400 | \$ 26,212,423 | \$ 11,685,626 | \$ 10,889,724 |

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Isanti 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 financial 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 \$12,826,249. This is a decrease of \$471,443 (3.6 percent) in comparison with the prior year. Unreserved fund balance of \$10,908,714 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 Isanti County. At the end of the current fiscal year, it has an unreserved fund balance of \$4,641,755. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund unreserved balance represents 31.2 percent of total General Fund expenditures for 2006. In 2006, ending fund balance for the General Fund decreased \$296,104 (5.0 percent). The primary reason for this decrease was an increase in capital outlay expenditures and a decline in license and permit revenues during 2006.

The Road and Bridge Special Revenue Fund's unreserved fund balance of \$1,111,549 at year-end represents 17.6 percent of the fund's annual expenditures. In 2006, the ending fund balance increased \$377,464 (32.1 percent). This increase is primarily the result of an increase in intergovernmental revenue, including allotments from the State of Minnesota and the federal government.

The Human Services Special Revenue Fund's unreserved fund balance of \$5,011,287 at year-end represents 51.9 percent of the fund's annual expenditures. In 2006, the ending fund balance increased \$545,851 (12.2 percent). This increase is largely the result of increased program allocations from the State of Minnesota.

The Debt Service Fund's unreserved fund balance of \$1,049,618 at year-end represents 114.4 percent of the fund's annual expenditures. In 2006, the ending fund balance decreased \$108,628 (6.5 percent) as a result of higher debt service payments.

The Capital Projects Fund had a deficit fund balance of \$921,297 at year-end. In 2006, the ending fund balance decreased \$991,382 due to significant increases in construction expenditures. On March 6, 2007, the County issued General Obligation Capital Improvement Plan Bonds, Series 2007A, to eliminate the deficit fund balance and finance future construction costs in the fund.

General Fund Budgetary Highlights

The General Fund's actual revenues exceeded budgeted revenues by \$358,515 (2.5 percent) in 2006. This positive variance was primarily the result of increased intergovernmental revenue such as state and federal grants. In addition, investment earnings and miscellaneous revenue were significantly higher than anticipated in 2006.

In 2006, the General Fund's actual expenditures exceeded budgeted expenditures by \$654,619 (4.6 percent). This unfavorable variance is largely the result of additional capital outlay purchases. In addition, public safety and economic development expenditures were greater than expected due to increased demand for services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Isanti County's capital assets for its governmental activities at December 31, 2006, totaled \$58,029,832 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The County's investment in capital assets increased \$5,043,321 (9.5 percent) from the previous year.

In 2006, the major capital asset events included County road construction, the acquisition of a building for a future transit center, and extensive renovation of an office building for the County's Family Services Department.

Table 4
Governmental Capital Assets at Year-End
(Net of Depreciation)

| | 2006 | 2005 (Restated) |
|-------------------------------------|----------------------|----------------------|
| Land | \$ 3,009,000 | \$ 2,855,131 |
| Buildings | 10,080,514 | 6,549,206 |
| Improvements other than buildings | 184,286 | 175,293 |
| Machinery, furniture, and equipment | 2,185,134 | 2,312,619 |
| Infrastructure | 39,474,813 | 36,101,565 |
| Construction in progress | 3,096,085 | 4,992,697 |
| Total | <u>\$ 58,029,832</u> | <u>\$ 52,986,511</u> |

Long-Term Debt

At the end of 2006, Isanti County had total outstanding debt of \$8,426,220, which was backed by the full faith, credit, and taxing powers of the County. In addition, as party to a joint powers agreement, the County is contingently liable for outstanding debt of the East Central Solid Waste Commission in the amount of \$298,620.

Table 5
Outstanding Debt at Year-End

| | 2006 | 2005 |
|------------------------------------|---------------------|---------------------|
| General obligation bonds, net | \$ 8,426,220 | \$ 8,973,167 |
| East Central Solid Waste liability | 298,620 | 670,710 |
| Total | <u>\$ 8,724,840</u> | <u>\$ 9,643,877</u> |

The County's outstanding debt decreased \$919,037 (9.5 percent) during 2006. This decrease is due to continued scheduled principal repayments on the outstanding debt. The County did not incur any additional bonded debt in 2006.

Minnesota statutes limit the amount of debt a county may levy to two percent of its total taxable market value. At the end of 2006, Isanti County's ratio of debt to taxable market value was significantly below this limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The County's population is projected to increase 18.2 percent during the period from 2005 to 2010.
- Isanti County's average unemployment rate for 2006 was 4.9 percent. This is the same average unemployment rate as the previous year and compares to the state-wide average unemployment rate for 2006 of 4.0 percent.
- On December 20, 2006, the Isanti County Board of Commissioners approved the 2007 budget. The 2007 total net levy is \$13,782,283. This is an increase of \$815,517 (6.3 percent) from the previous year.
- The 2007 budget reflects expected decreases in revenue from the state and federal government as well as licenses and permits. These decreases are expected to be partially offset through increased revenue from charges for services and use of available fund balance.
- The 2007 budget projects an increase in debt service and conservation of natural resources expenditures. However, the County also anticipates a substantial decrease in expenditures related to highways and streets.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the County's finances. If you have questions about this report or need additional financial information, contact the Isanti County Coordinator, Isanti County Government Center, 555 - 18th Avenue S.W., Cambridge, Minnesota 55008. The telephone number is (763) 689-3859.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

| | Primary Government Governmental Activities | Discretely Presented Component Units |
|-----------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 12,113,518 | \$ 117,368 |
| Petty cash and change funds | 920 | - |
| Departmental cash | 16,181 | - |
| Cash with escrow agent | 510,209 | - |
| Taxes receivable | | |
| Prior - net | 667,036 | 187 |
| Special assessments receivable | | |
| Current - net | - | 3,270 |
| Prior - net | 1,183 | 37 |
| Noncurrent - net | 15,107 | - |
| Accounts receivable - net | 27,444 | - |
| Accrued interest receivable | 91,745 | - |
| Due from other governments | 2,183,633 | - |
| Loans receivable | | |
| Due within one year | 9,585 | - |
| Due in more than one year | 76,680 | - |
| Inventories | 383,217 | - |
| Prepaid items | 48,570 | - |
| Advance to component unit | 120,000 | - |
| Deferred charges | 46,436 | - |
| Capital assets | | |
| Non-depreciable | 6,105,085 | - |
| Depreciable - net of accumulated depreciation | 51,924,747 | 58,964 |
| Total Assets | \$ 74,341,296 | \$ 179,826 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

| | Primary Government Governmental Activities | Discretely Presented Component Units |
|--------------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------|
| <u>Liabilities</u> | | |
| Accounts payable | \$ 514,210 | \$ 2,256 |
| Salaries payable | 321,410 | - |
| Contracts payable | 604,092 | - |
| Due to other governments | 176,124 | - |
| Accrued interest payable | 146,973 | - |
| Deposits held for others | 14,573 | - |
| Unearned revenue | 164,333 | - |
| Advance from primary government | - | 120,000 |
| Long-term liabilities | | |
| Due within one year | 1,540,520 | - |
| Due in more than one year | 8,345,112 | - |
| | \$ 11,827,347 | \$ 122,256 |
| <u>Net Assets</u> | | |
| Invested in capital assets - net of related debt | \$ 49,603,612 | \$ 58,964 |
| Restricted for | | |
| General government | 250,674 | - |
| Culture and recreation | 4,723 | - |
| Debt service | 1,559,827 | - |
| Other purposes | 18,720 | - |
| Unrestricted | 11,076,393 | (1,394) |
| | \$ 62,513,949 | \$ 57,570 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

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

| | Expenses | Fees, Charges, Fines, and Other |
|-----------------------------------|----------------------|------------------------------------------------|
| <u>Functions/Programs</u> | | |
| Primary Government | | |
| Governmental activities | | |
| General government | \$ 5,448,844 | \$ 1,465,758 |
| Public safety | 5,884,399 | 675,416 |
| Highways and streets | 2,906,716 | 180,012 |
| Human services | 9,423,712 | 641,770 |
| Health | 1,438,786 | 405,709 |
| Culture and recreation | 625,225 | 51,144 |
| Conservation of natural resources | 299,708 | 764 |
| Economic development | 862,950 | 183,127 |
| Interest | 365,060 | - |
| Total primary government | \$ 27,255,400 | \$ 3,603,700 |
| Component Units | | |
| Green Lake Improvement District | \$ 9,738 | \$ 895 |
| Long Lake Improvement District | 635 | - |
| Total component units | \$ 10,373 | \$ 895 |

General Revenues

Property taxes
Mortgage registry and deed tax
Taxes - other
Payments in lieu of tax
Grants and contributions not restricted to
specific programs
Investment income
Miscellaneous

Total general revenues

Change in Net Assets

Net Assets - Beginning, restated (Note 2.B.)

Net Assets - Ending

EXHIBIT 2

| Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | |
|-------------------------------------------|-----------------------------------------|--------------------------------------------------------|---------------------------------------------|
| Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities | Discretely Presented Component Units |
| \$ 173,695 | \$ - | \$ (3,809,391) | |
| 353,857 | - | (4,855,126) | |
| 2,458,228 | 1,785,310 | 1,516,834 | |
| 5,423,050 | - | (3,358,892) | |
| 1,040,601 | - | 7,524 | |
| 76,092 | - | (497,989) | |
| 146,049 | - | (152,895) | |
| 264,992 | 244,200 | (170,631) | |
| - | - | (365,060) | |
| \$ 9,936,564 | \$ 2,029,510 | \$ (11,685,626) | |
| \$ 440 | \$ - | | \$ (8,403) |
| 1,000 | - | | 365 |
| \$ 1,440 | \$ - | | \$ (8,038) |
| | | \$ 11,780,833 | \$ 22,293 |
| | | 35,237 | - |
| | | 67 | - |
| | | 96,433 | - |
| | | 2,969,987 | 1,062 |
| | | 550,972 | - |
| | | 25,734 | - |
| | | \$ 15,459,263 | \$ 23,355 |
| | | \$ 3,773,637 | \$ 15,317 |
| | | 58,740,312 | 42,253 |
| | | \$ 62,513,949 | \$ 57,570 |

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

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

| | <u>General</u> | <u>Road and Bridge</u> | <u>Human Services</u> |
|--------------------------------|----------------------------|----------------------------|----------------------------|
| <u>Assets</u> | | | |
| Cash and pooled investments | \$ 5,015,464 | \$ 1,416,276 | \$ 4,601,506 |
| Petty cash and change funds | 920 | - | - |
| Departmental cash | 16,181 | - | - |
| Cash with escrow agent | - | - | - |
| Taxes receivable | | | |
| Prior | 375,286 | 69,716 | 179,073 |
| Special assessments receivable | | | |
| Prior | 1,183 | - | - |
| Noncurrent | 15,107 | - | - |
| Accounts receivable | 16,185 | - | 11,259 |
| Accrued interest receivable | 88,925 | - | - |
| Loans receivable | - | - | - |
| Due from other funds | 607,640 | 4,909 | 2,173 |
| Due from other governments | 261,816 | 1,036,763 | 884,941 |
| Inventories | - | 383,217 | - |
| Prepaid items | 45,616 | 263 | 2,691 |
| Advances to component unit | 120,000 | - | - |
| Total Assets | <u>\$ 6,564,323</u> | <u>\$ 2,911,144</u> | <u>\$ 5,681,643</u> |

EXHIBIT 3

| <u>Debt Service</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------|-----------------------------|-----------------------------------------|-----------------------------------------|
| \$ 1,037,493 | \$ - | \$ 42,779 | \$ 12,113,518 |
| - | - | - | 920 |
| - | - | - | 16,181 |
| 510,209 | - | - | 510,209 |
| 42,961 | - | - | 667,036 |
| - | - | - | 1,183 |
| - | - | - | 15,107 |
| - | - | - | 27,444 |
| 2,101 | - | 719 | 91,745 |
| - | - | 86,265 | 86,265 |
| 617 | - | - | 615,339 |
| - | - | 113 | 2,183,633 |
| - | - | - | 383,217 |
| - | - | - | 48,570 |
| - | - | - | 120,000 |
| <u>\$ 1,593,381</u> | <u>\$ -</u> | <u>\$ 129,876</u> | <u>\$ 16,880,367</u> |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

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

| | <u>General</u> | <u>Road and Bridge</u> | <u>Human Services</u> |
|--------------------------------------------------------|---------------------|----------------------------|---------------------------|
| <u>Liabilities and Fund Balances</u> | | | |
| Liabilities | | | |
| Accounts payable | \$ 159,191 | \$ 28,261 | \$ 326,362 |
| Salaries payable | 215,321 | 32,031 | 74,058 |
| Contracts payable | - | 239,158 | - |
| Due to other funds | 3,971 | 3,578 | 39,072 |
| Due to other governments | 108,649 | 4,952 | 48,184 |
| Deferred revenue - unavailable | 307,885 | 1,035,625 | 179,989 |
| Deferred revenue - unearned | 164,333 | - | - |
| Deposits held for others | - | 14,573 | - |
| Total Liabilities | \$ 959,350 | \$ 1,358,178 | \$ 667,665 |
| Fund Balances | | | |
| Reserved for | | | |
| Encumbrances | \$ - | \$ 57,937 | \$ - |
| Law library | 87,007 | - | - |
| Petty cash and change funds | 920 | - | - |
| Cash with escrow agent | - | - | - |
| Inventories | - | 383,217 | - |
| Prepaid items | 45,616 | 263 | 2,691 |
| Advances to component unit | 120,000 | - | - |
| Missing heirs | 18,720 | - | - |
| Recorder's equipment | 180,406 | - | - |
| Recorder's compliance | 70,268 | - | - |
| DARE | 31,522 | - | - |
| Lake Francis study | 49,174 | - | - |
| Bike trails | 4,723 | - | - |
| Parks and recreation | 289,224 | - | - |
| Sheriff's forfeited property | 28,020 | - | - |
| Attorney's forfeited property | 37,618 | - | - |
| Unreserved | | | |
| Designated for bike trails | 21,000 | - | - |
| Designated for township parks | 196,332 | - | - |
| Designated for oak wilt | 9,309 | - | - |
| Designated for Sheriff public education | 3,776 | - | - |
| Designated for debt service | - | - | - |
| Undesignated | 4,411,338 | 1,111,549 | 5,011,287 |
| Unreserved, reported in nonmajor special revenue funds | - | - | - |
| Total Fund Balances | \$ 5,604,973 | \$ 1,552,966 | \$ 5,013,978 |
| Total Liabilities and Fund Balances | \$ 6,564,323 | \$ 2,911,144 | \$ 5,681,643 |

EXHIBIT 3
(Continued)

| <u>Debt Service</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------|-----------------------------|-----------------------------------------|-----------------------------------------|
| \$ - | \$ 396 | \$ - | \$ 514,210 |
| - | - | - | 321,410 |
| - | 364,934 | - | 604,092 |
| - | 554,670 | 14,048 | 615,339 |
| - | 1,297 | 13,042 | 176,124 |
| 33,554 | - | 86,984 | 1,644,037 |
| - | - | - | 164,333 |
| - | - | - | 14,573 |
| \$ 33,554 | \$ 921,297 | \$ 114,074 | \$ 4,054,118 |
| | | | |
| \$ - | \$ - | \$ - | \$ 57,937 |
| - | - | - | 87,007 |
| - | - | - | 920 |
| 510,209 | - | - | 510,209 |
| - | - | - | 383,217 |
| - | - | - | 48,570 |
| - | - | - | 120,000 |
| - | - | - | 18,720 |
| - | - | - | 180,406 |
| - | - | - | 70,268 |
| - | - | - | 31,522 |
| - | - | - | 49,174 |
| - | - | - | 4,723 |
| - | - | - | 289,224 |
| - | - | - | 28,020 |
| - | - | - | 37,618 |
| - | - | - | 21,000 |
| - | - | - | 196,332 |
| - | - | - | 9,309 |
| - | - | - | 3,776 |
| 1,049,618 | - | - | 1,049,618 |
| - | (921,297) | - | 9,612,877 |
| - | - | 15,802 | 15,802 |
| \$ 1,559,827 | \$ (921,297) | \$ 15,802 | \$ 12,826,249 |
| \$ 1,593,381 | \$ - | \$ 129,876 | \$ 16,880,367 |

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006**

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------------------|
| Fund Balances - Total Governmental Funds (Exhibit 3) | \$ | 12,826,249 |
| 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. | | 58,029,832 |
| Other assets are not available to pay for current period expenditures and, therefore, are deferred in governmental funds. | | 1,644,037 |
| 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 | \$ (8,470,000) | |
| Unamortized discount on bonds | 43,780 | |
| Deferred debt issuance charges | 46,436 | |
| East Central Solid Waste Commission liability | (298,620) | |
| Accrued interest payable | (146,973) | |
| Compensated absences | (1,160,792) | |
| | (9,986,169) | (9,986,169) |
| Net Assets of Governmental Activities (Exhibit 1) | \$ | <u>62,513,949</u> |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

| | General | Road and Bridge |
|--------------------------------------------------------|----------------------|----------------------------|
| Revenues | | |
| Taxes | \$ 6,787,457 | \$ 1,156,191 |
| Special assessments | 2,236 | - |
| Licenses and permits | 510,976 | - |
| Intergovernmental | 4,101,934 | 5,299,278 |
| Charges for services | 1,879,852 | 41,852 |
| Fines and forfeits | 92,609 | - |
| Gifts and contributions | 126,326 | - |
| Investment earnings | 525,909 | - |
| Miscellaneous | 550,021 | 138,160 |
| | \$ 14,577,320 | \$ 6,635,481 |
| Total Revenues | | |
| Expenditures | | |
| Current | | |
| General government | \$ 5,326,096 | \$ - |
| Public safety | 5,444,616 | - |
| Highways and streets | - | 6,320,139 |
| Human services | - | - |
| Health | 1,434,575 | - |
| Culture and recreation | 257,041 | - |
| Conservation of natural resources | 299,845 | - |
| Economic development | 774,164 | - |
| Capital outlay | 801,390 | - |
| Intergovernmental | 535,697 | - |
| Debt service | | |
| Principal | - | - |
| Interest | - | - |
| Administrative (fiscal) charges | - | - |
| | \$ 14,873,424 | \$ 6,320,139 |
| Total Expenditures | | |
| Excess of Revenues Over (Under) Expenditures | \$ (296,104) | \$ 315,342 |
| Other Financing Sources (Uses) | | |
| Transfers in | \$ - | \$ - |
| Transfers out | - | - |
| | \$ - | \$ - |
| Total Other Financing Sources (Uses) | | |
| Net Change in Fund Balance | \$ (296,104) | \$ 315,342 |
| Fund Balance - January 1 | 5,901,077 | 1,175,502 |
| Increase (decrease) in reserved for inventories | - | 62,122 |
| | \$ 5,604,973 | \$ 1,552,966 |
| Fund Balance - December 31 | \$ 5,604,973 | \$ 1,552,966 |

EXHIBIT 5

| Human Services | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|-----------------------|---------------------|-------------------------|---------------------------------|---------------------------------|
| \$ 3,021,056 | \$ 764,273 | \$ - | \$ 50 | \$ 11,729,027 |
| - | - | - | - | 2,236 |
| - | - | - | - | 510,976 |
| 6,803,986 | 185,112 | 244,200 | - | 16,634,510 |
| 123,856 | - | - | - | 2,045,560 |
| - | - | - | 28,693 | 121,302 |
| - | - | - | - | 126,326 |
| - | 25,063 | - | - | 550,972 |
| 515,340 | - | - | - | 1,203,521 |
| \$ 10,464,238 | \$ 974,448 | \$ 244,200 | \$ 28,743 | \$ 32,924,430 |
| \$ - | \$ - | \$ - | \$ 27,387 | \$ 5,353,483 |
| - | - | - | - | 5,444,616 |
| - | - | - | - | 6,320,139 |
| 9,656,824 | - | - | - | 9,656,824 |
| - | - | - | - | 1,434,575 |
| - | - | - | - | 257,041 |
| - | - | - | - | 299,845 |
| - | - | - | - | 774,164 |
| - | - | 1,662,399 | - | 2,463,789 |
| - | - | - | - | 535,697 |
| - | 550,000 | - | - | 550,000 |
| - | 364,696 | - | - | 364,696 |
| - | 3,126 | - | - | 3,126 |
| \$ 9,656,824 | \$ 917,822 | \$ 1,662,399 | \$ 27,387 | \$ 33,457,995 |
| \$ 807,414 | \$ 56,626 | \$ (1,418,199) | \$ 1,356 | \$ (533,565) |
| \$ - | \$ - | \$ 426,817 | \$ - | \$ 426,817 |
| (261,563) | (165,254) | - | - | (426,817) |
| \$ (261,563) | \$ (165,254) | \$ 426,817 | \$ - | \$ - |
| \$ 545,851 | \$ (108,628) | \$ (991,382) | \$ 1,356 | \$ (533,565) |
| 4,468,127 | 1,668,455 | 70,085 | 14,446 | 13,297,692 |
| - | - | - | - | 62,122 |
| \$ 5,013,978 | \$ 1,559,827 | \$ (921,297) | \$ 15,802 | \$ 12,826,249 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) **\$ (533,565)**

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

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.

| | | | |
|-------------------------------------------------------------------------------------------|----|-------------|-----------|
| Expenditures for general capital assets, infrastructure, and other related capital assets | \$ | 7,029,729 | |
| Net book value of assets disposed or sold | | (90,571) | |
| Current year depreciation | | (1,895,837) | |
| | | | 5,043,321 |

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

| | | | |
|--------------------------------|----|-------------|-------------|
| Deferred revenue - December 31 | \$ | 1,644,037 | |
| Deferred revenue - January 1 | | (3,280,397) | |
| | | | (1,636,360) |

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | | | |
|-----------------------------------------------|----|---------|---------|
| Principal repayments | | | |
| General obligation bonds | \$ | 550,000 | |
| East Central Solid Waste Commission liability | | 372,090 | |
| | | | 922,090 |

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 | \$ | 9,307 | |
| Amortization of discounts and deferred issuance charges | | (6,545) | |
| Change in compensated absences | | (86,733) | |
| Change in inventories | | 62,122 | |
| | | | (21,849) |

Change in Net Assets of Governmental Activities (Exhibit 2) **\$ 3,773,637**

FIDUCIARY FUNDS

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ISANTI COUNTY
CAMBRIDGE, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006

| | <u>Agency</u> |
|-----------------------------|----------------------------|
| <u>Assets</u> | |
| Cash and pooled investments | \$ 1,001,991 |
| Due from other governments | <u>8,420</u> |
| Total Assets | <u>\$ 1,010,411</u> |
| <u>Liabilities</u> | |
| Due to other governments | <u>\$ 1,010,411</u> |

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COMPONENT UNITS

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

EXHIBIT 8

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2006**

| | Green Lake Improvement District | Long Lake Improvement District | Total Discrete Component Units |
|----------------------------------|------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <u>Assets</u> | | | |
| Cash and pooled investments | \$ 117,003 | \$ 365 | \$ 117,368 |
| Taxes receivable | | | |
| Prior | 187 | - | 187 |
| Special assessments receivable | | | |
| Current | 3,270 | - | 3,270 |
| Prior | 37 | - | 37 |
| Capital assets | | | |
| Depreciable - net | 58,964 | - | 58,964 |
| Total Assets | \$ 179,461 | \$ 365 | \$ 179,826 |
| <u>Liabilities</u> | | | |
| Accounts payable | \$ 2,256 | \$ - | \$ 2,256 |
| Advances from primary government | 120,000 | - | 120,000 |
| Total Liabilities | \$ 122,256 | \$ - | \$ 122,256 |
| <u>Net Assets</u> | | | |
| Invested in capital assets | \$ 58,964 | \$ - | \$ 58,964 |
| Unrestricted | (1,759) | 365 | (1,394) |
| Total Net Assets | \$ 57,205 | \$ 365 | \$ 57,570 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Expenses | Program Fees, Charges, Fines, and Other |
|----------------------------------|-----------------------------------------------------------------|--------------------------------------------------------|
| <u>Functions/Programs</u> | | |
| Green Lake Improvement District | \$ 9,738 | \$ 895 |
| Long Lake Improvement District | 635 | - |
| Total Component Units | \$ 10,373 | \$ 895 |
| General Revenues | | |
| | Property taxes | |
| | Grants and contributions not restricted to specific programs | |
| | Total general revenues | |
| | Change in Net Assets | |
| | Net Assets - Beginning | |
| | Net Assets - Ending | |

EXHIBIT 9

| <u>Revenues</u> | <u>Net (Expense) Revenue and Changes in Net Assets</u> | | |
|---------------------------------------------------|--------------------------------------------------------|-----------------------------------------------|--------------------------|
| <u>Operating Grants and Contributions</u> | <u>Green Lake Improvement District</u> | <u>Long Lake Improvement District</u> | <u>Total</u> |
| \$ 440 | \$ (8,403) | \$ - | \$ (8,403) |
| <u>1,000</u> | <u>-</u> | <u>365</u> | <u>365</u> |
| <u>\$ 1,440</u> | <u>\$ (8,403)</u> | <u>\$ 365</u> | <u>\$ (8,038)</u> |
| | \$ 22,293 | \$ - | \$ 22,293 |
| | <u>1,062</u> | <u>-</u> | <u>1,062</u> |
| | <u>\$ 23,355</u> | <u>\$ -</u> | <u>\$ 23,355</u> |
| | \$ 14,952 | \$ 365 | \$ 15,317 |
| | <u>42,253</u> | <u>-</u> | <u>42,253</u> |
| | <u>\$ 57,205</u> | <u>\$ 365</u> | <u>\$ 57,570</u> |

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

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

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2006. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Isanti County was established February 13, 1857, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Isanti County (primary government) and its component units for which the County is financially accountable. 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.

Discretely Presented Component Units

While part of the reporting entity, the discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. Disclosures relating to the discrete component units are reported with those of the primary government. The County's significant accounting policies are also used by the discrete component units. The following component units of Isanti County are discretely presented:

| <u>Component Unit</u> | <u>Component Unit of Reporting Entity Because</u> | <u>Separate Financial Statements</u> |
|---------------------------------|--------------------------------------------------------------------------------------|-------------------------------------------------|
| Green Lake Improvement District | County is financially accountable for the District as a result of fiscal dependency. | Separate financial statements are not prepared. |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

| <u>Component Unit</u> | <u>Component Unit of Reporting Entity Because</u> | <u>Separate Financial Statements</u> |
|--------------------------------|--------------------------------------------------------------------------------------|-------------------------------------------------|
| Long Lake Improvement District | County is financially accountable for the District as a result of fiscal dependency. | Separate financial statements are not prepared. |

Joint Ventures

The County participates in joint ventures which are described in Note 6.C. The County also participates in a jointly-governed organization which is described in Note 6.D.

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 the primary government and its component units. 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. Governmental activities are activities normally supported by taxes and intergovernmental revenues.

In the government-wide statement of net assets, the governmental column: (a) is presented on a consolidated basis by column; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

Isanti 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.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues 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, including its fiduciary funds. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

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.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- The Debt Service Fund is used to account for revenues and expenditures related to the County's debt activity.
- The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvements of capital facilities.

Additionally, the County reports the following fund type:

- Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

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. Isanti County considers all revenues as available if collected within 60 days after the end of the current period. 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.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2006, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2006 were \$550,972.

Isanti 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 that is 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).

Advances between 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.

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.

**ISANTI COUNTY
CAMBRIDGE, 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.

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. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

5. 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 column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost equal to or greater 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 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 life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

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

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 25 - 50 |
| Improvements other than buildings | 10 - 40 |
| Infrastructure | 20 - 75 |
| Intangible assets | 5 - 7 |
| Machinery and equipment | 5 - 20 |

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation 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 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.

7. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line 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.

9. Fund Equity

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

10. 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.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Revenues

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 by all governmental fund types. Under this basis, revenue is not recognized in the financial statements unless it is available to finance current expenditures.

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. In the funds, 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.

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. State-aid highway allotments for highway maintenance and construction are recognized as revenue in the year of allotment.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues (Continued)

Exchange Transactions

Special assessments levied against benefiting properties are recognized under the modified accrual basis when available to finance current expenditures. Other revenues, such as licenses and permits, charges for services, and investment income, are recognized as revenue when earned.

2. Stewardship, Compliance, and Accountability

A. Individual Fund Deficits

The Capital Projects Fund had a deficit fund balance of \$921,297 as of December 31, 2006. The deficit will be eliminated with the proceeds from the \$2,140,000 General Obligation Capital Improvement Plan Bonds, Series 2007A, which were issued on March 6, 2007.

The Ditch Special Revenue Fund had a positive fund balance of \$10,243 as of December 31, 2006. However, two of the four drainage systems within the fund have incurred expenditures in excess of revenues and available resources. The following summary shows fund balances as of December 31, 2006:

| | | |
|----------------------------------|----|---------|
| 2 ditches with positive balances | \$ | 15,551 |
| 2 ditches with negative balances | | (5,308) |
| | | 10,243 |
| Total | \$ | 10,243 |

B. Prior Period Adjustment

Net assets at January 1, 2006, have been restated to reflect the capitalization of prior year right-of-way purchases by the County's Highway Department. As a result, the value of capital assets classified as land has been increased by \$1,807,614 as follows:

| | | |
|----------------------------------------------|----|------------|
| Adjustment to recognize right-of-way as land | \$ | 1,807,614 |
| Net Assets, December 31, 2005 | | 56,932,698 |
| | | 58,740,312 |
| Adjusted Net Assets, January 1, 2006 | \$ | 58,740,312 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of Isanti County’s total deposits, cash on hand, and investments to the basic financial statements follows:

| | |
|-----------------------------------------------|---------------|
| Government-wide statement of net assets | |
| Governmental activities | |
| Cash and pooled investments | \$ 12,113,518 |
| Petty cash and change funds | 920 |
| Departmental cash | 16,181 |
| Cash with escrow agent | 510,209 |
| Discretely presented component unit | |
| Cash and pooled investments | 117,368 |
| Statement of fiduciary net assets | |
| Cash and pooled investments | 1,001,991 |
| Total Cash and Investments | \$ 13,760,187 |
| | |
| Deposits | \$ 4,951,634 |
| Petty cash and change funds | 920 |
| Departmental cash | 16,181 |
| Investments | 8,791,452 |
| Total Deposits, Cash on Hand, and Investments | \$ 13,760,187 |

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. 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

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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 Deposits

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. As of December 31, 2006, the County's deposits were not exposed to custodial credit risk.

b. Investments

The funds of the County shall be deposited or invested in accordance with Minn. Stat. ch. 118A, any other applicable laws, and County investment policy. The objectives, in order of priority, will be to preserve principal, maintain liquidity, and earn the optimum rate of return.

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;

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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. In accordance with the County's investment policy, investments will be sufficiently diverse to avoid risk and enhance return.

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

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than 2 Years</u> | <u>2 - 5 Years</u> | <u>More Than 5 Years</u> |
|------------------------------------|---------------------|------------------------------|------------------------|------------------------------|
| U.S. government agency securities | \$ 5,160,174 | \$ 1,853,919 | \$ 1,497,380 | \$ 1,808,875 |
| MAGIC Fund | 3,059,881 | 3,059,881 | - | - |
| Negotiable certificates of deposit | 571,397 | - | 284,376 | 287,021 |
| Total Investments | <u>\$ 8,791,452</u> | <u>\$ 4,913,800</u> | <u>\$ 1,781,756</u> | <u>\$ 2,095,896</u> |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Interest Rate Risk (Continued)

In accordance with the County's investment policy, total long-term investments with maturities greater than five years shall not exceed 25 percent of the investment portfolio. The County's investments did not exceed this limitation as of December 31, 2006.

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. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Following is a summary of the credit risk and fair values of the County's investments as of December 31, 2006:

| <u>Investment Type</u> | <u>Moody's Rating</u> | <u>Carrying (Fair) Value</u> |
|------------------------------------|---------------------------|--------------------------------------|
| U.S. government agency securities | Aaa | \$ 5,160,174 |
| MAGIC Fund | N/R | 3,059,881 |
| Negotiable certificates of deposit | N/R | <u>571,397</u> |
| Total Investments | | <u>\$ 8,791,452</u> |

N/R - Not Rated

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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 investment or collateral securities that are in the possession of an outside party. At December 31, 2006, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County shall diversify its investments to avoid incurring unreasonable risks by over-investing in specific instruments, individual financial institutions, or maturities. 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 | \$ 4,412,662 |
| Fannie Mae | 499,500 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables at December 31, 2006, for the County's governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

| | Total Receivables | Amounts Not Scheduled for Collection During the Subsequent Year |
|-------------------------------|----------------------|--------------------------------------------------------------------------|
| Governmental Activities | | |
| Taxes | \$ 667,036 | \$ - |
| Special assessments | 16,290 | 15,107 |
| Accounts | 27,444 | - |
| Interest | 91,745 | - |
| Due from other governments | 2,183,633 | - |
| Loans | 86,265 | 76,680 |
| Total Governmental Activities | \$ 3,072,413 | \$ 91,787 |

3. Capital Assets

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

Primary Government

| | Beginning Balance (Restated) | Increase | Decrease | Ending Balance |
|--------------------------------------|------------------------------------|--------------|--------------|-------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 2,855,131 | \$ 153,869 | \$ - | \$ 3,009,000 |
| Construction in progress | 4,992,697 | 1,980,087 | 3,876,699 | 3,096,085 |
| Total capital assets not depreciated | \$ 7,847,828 | \$ 2,133,956 | \$ 3,876,699 | \$ 6,105,085 |
| Capital assets depreciated | | | | |
| Buildings | \$ 10,090,359 | \$ 3,876,699 | \$ - | \$ 13,967,058 |
| Improvements other than buildings | 230,279 | 22,400 | 15,063 | 237,616 |
| Machinery, furniture, and equipment | 6,295,585 | 484,824 | 184,588 | 6,595,821 |
| Infrastructure | 46,871,638 | 4,388,549 | - | 51,260,187 |
| Total capital assets depreciated | \$ 63,487,861 | \$ 8,772,472 | \$ 199,651 | \$ 72,060,682 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Primary Government (Continued)

| | Beginning Balance (Restated) | Increase | Decrease | Ending Balance |
|-------------------------------------------|------------------------------------|---------------------|---------------------|----------------------|
| Less: accumulated depreciation for | | | | |
| Buildings | \$ 3,541,153 | \$ 345,391 | \$ - | \$ 3,886,544 |
| Improvements other than buildings | 54,986 | 10,394 | 12,050 | 53,330 |
| Machinery, furniture, and equipment | 3,982,966 | 524,751 | 97,030 | 4,410,687 |
| Infrastructure | <u>10,770,073</u> | <u>1,015,301</u> | <u>-</u> | <u>11,785,374</u> |
| Total accumulated depreciation | <u>\$ 18,349,178</u> | <u>\$ 1,895,837</u> | <u>\$ 109,080</u> | <u>\$ 20,135,935</u> |
| Total capital assets depreciated, net | <u>\$ 45,138,683</u> | <u>\$ 6,876,635</u> | <u>\$ 90,571</u> | <u>\$ 51,924,747</u> |
| Primary Government Capital Assets, Net | <u>\$ 52,986,511</u> | <u>\$ 9,010,591</u> | <u>\$ 3,967,270</u> | <u>\$ 58,029,832</u> |

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

| | |
|-----------------------------------------------------------------------|---------------------|
| General government | \$ 266,036 |
| Public safety | 394,255 |
| Highways and streets, including depreciation of infrastructure assets | 1,170,768 |
| Human services | 10,199 |
| Health | 4,332 |
| Culture and recreation | 9,909 |
| Economic development | <u>40,338</u> |
| Total | <u>\$ 1,895,837</u> |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Interfund Balances

Interfund balances are either due to timing differences in payments for services rendered, the elimination of negative cash balances, or the distribution of the forfeited land sale proceeds. All interfund balances are expected to be repaid within one year. The composition of interfund balances as of December 31, 2006, is as follows:

Due To/From Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-------------------------------|-------------------------|-------------------|
| General Fund | Capital Projects Fund | \$ 554,670 |
| General Fund | Human Services Fund | 39,072 |
| General Fund | Forfeited Tax Sale Fund | 10,320 |
| Road and Bridge Fund | Forfeited Tax Sale Fund | 938 |
| Human Services Fund | Forfeited Tax Sale Fund | 2,173 |
| Debt Service Fund | Forfeited Tax Sale Fund | 617 |
| Road and Bridge Fund | General Fund | 3,971 |
| General Fund | Road and Bridge Fund | <u>3,578</u> |
| Total Due To/From Other Funds | | <u>\$ 615,339</u> |

Advances To/From Primary Government and Component Unit

| <u>Receivable Entity</u> | <u>Payable Entity</u> | <u>Amount</u> |
|-----------------------------------|--------------------------------------------------|-------------------|
| Primary Government - General Fund | Component Unit - Green Lake Improvement District | <u>\$ 120,000</u> |

The advance to the component unit is to provide capital funding and will be repaid with taxes and special assessments.

Interfund Transfers

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

| | | |
|------------------------------------------------------------------|-------------------|----------------------------|
| Transfers to Capital Projects Fund from other governmental funds | <u>\$ 426,817</u> | Capital projects financing |
|------------------------------------------------------------------|-------------------|----------------------------|

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2006, were as follows:

| | Governmental Activities |
|-------------------------------|----------------------------|
| Accounts | \$ 514,210 |
| Salaries | 321,410 |
| Contracts | 604,092 |
| Due to other governments | 176,124 |
| Interest | 146,973 |
| Deposits held for others | 14,573 |
| Total Governmental Activities | \$ 1,777,382 |

2. Construction Commitments

The government has active construction projects as of December 31, 2006. The projects include the following:

| | Spent-to-Date | Remaining Commitment |
|---------------------------------|---------------|-------------------------|
| Governmental Activities | | |
| Transit Facility | \$ 305,250 | \$ - |
| Oakview Human Services Building | 2,482,204 | 785,131 |

3. Other Postemployment Benefits

For employees hired before January 1, 1992, the County provides a postemployment benefit that covers the cost of single medical insurance coverage for qualified retirees. Qualified retirees include employees 65 years of age or older at retirement, or 62 years of age and with ten years of County service or with 20 years of service, and must meet Public Employees Retirement Association of Minnesota (PERA) retirement requirements. Retirees who receive medical benefits from subsequent employment are no longer eligible for this benefit. The benefit terminates upon their death. This benefit is authorized by Minn. Stat. § 471.61, subd. 2a.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Other Postemployment Benefits (Continued)

As of December 31, 2006, the County has 38 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2006, the County expended \$89,252 for these benefits.

4. Long-Term Debt

| Types of Indebtedness | Final Maturity | Installment Amounts | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2006 |
|-------------------------------------------|----------------|-----------------------|-------------------|-----------------------|---------------------------------------|
| General obligation bonds | | | | | |
| 1998 G.O. Public Facility Refunding Bonds | 2014 | \$225,000 - \$645,000 | 4.30 - 4.85 | \$ 5,965,000 | \$ 4,760,000 |
| 2003A G.O. Jail Bonds | 2021 | \$50,000 - \$355,000 | 1.125 - 3.85 | 2,770,000 | 2,310,000 |
| 2004A G.O. Jail Bonds | 2022 | \$25,000 - \$320,000 | 3.75 - 4.40 | <u>1,400,000</u> | <u>1,400,000</u> |
| Total general obligation bonds | | | | <u>\$ 10,135,000</u> | \$ 8,470,000 |
| Less: unamortized discount | | | | | <u>(43,780)</u> |
| Total General Obligation Bonds, Net | | | | | <u>\$ 8,426,220</u> |

5. Debt Service Requirements

Debt service requirements at December 31, 2006, were as follows:

| Year Ending December 31 | General Obligation Bonds | |
|----------------------------|--------------------------|---------------------|
| | Principal | Interest |
| 2007 | \$ 590,000 | \$ 341,463 |
| 2008 | 615,000 | 316,656 |
| 2009 | 645,000 | 290,305 |
| 2010 | 670,000 | 262,248 |
| 2011 | 700,000 | 232,303 |
| 2012 - 2016 | 3,055,000 | 695,428 |
| 2017 - 2021 | 1,875,000 | 254,024 |
| 2022 - 2026 | <u>320,000</u> | <u>7,040</u> |
| Total | <u>\$ 8,470,000</u> | <u>\$ 2,399,467</u> |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------------------------------|----------------------|------------|--------------|-------------------|------------------------|
| General obligation bonds | \$ 9,020,000 | \$ - | \$ 550,000 | \$ 8,470,000 | \$ 590,000 |
| Less: deferred amounts for issuance discounts | (46,833) | - | (3,053) | (43,780) | - |
| Total bonds payable | \$ 8,973,167 | \$ - | \$ 546,947 | \$ 8,426,220 | \$ 590,000 |
| East Central Solid Waste (Note 6.C.) | 670,710 | - | 372,090 | 298,620 | 298,620 |
| Compensated absences | 1,074,059 | 931,170 | 844,437 | 1,160,792 | 651,900 |
| Governmental Activity Long-Term Liabilities | \$ 10,717,936 | \$ 931,170 | \$ 1,763,474 | \$ 9,885,632 | \$ 1,540,520 |

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and 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.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members were required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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

| | <u>2006</u> | <u>2005</u> |
|---------------------------------------|-------------|-------------|
| Public Employees Retirement Fund | | |
| Basic Plan members | 11.78% | 11.78% |
| Coordinated Plan members | 6.00 | 5.53 |
| Public Employees Police and Fire Fund | 10.50 | 9.30 |
| Public Employees Correctional Fund | 8.75 | 8.75 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2006, 2005, and 2004, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

| | Public Employees Retirement Fund | Public Employees Police and Fire Fund | Public Employees Correctional Fund |
|------|-------------------------------------------|------------------------------------------------|---------------------------------------------|
| 2006 | \$ 493,671 | \$ 116,632 | \$ 107,028 |
| 2005 | 445,967 | 93,332 | 96,033 |
| 2004 | 413,469 | 86,612 | 91,883 |

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

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

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

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

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

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

The County's contributions for the years ending December 31, 2006, 2005, and 2004, were \$1,413, \$1,336, and \$1,262, respectively, equal to the contractually required contributions for each year as set by state statute.

5. Risk Management

The 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. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$780,000 per claim in 2006. 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.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Subsequent Events

On March 6, 2007, the County issued \$2,140,000 General Obligation Capital Improvement Plan Bonds, Series 2007A, and \$3,805,000 General Obligation Capital Improvement Plan Bonds, Series 2007B. The proceeds of the Series 2007A bonds will be used to finance construction costs for the Oakview Human Services building in Cambridge, Minnesota. The proceeds of the Series 2007B bonds will be used to current refund the Public Facility Lease Revenue Refunding Bonds, Series 1998, issued by the Economic Development Authority of the City of Cambridge, Minnesota.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Joint Ventures

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 powers, duties, and privileges granted joint powers by Minn. Stat. § 471.59.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

East Central Solid Waste Commission (Continued)

The Commission has five voting members, one from each county. At its annual meeting, the Board of County Commissioners of each county chooses a member and an alternate, both County Commissioners, as representatives of the county. Each county has one voting member and, in the absence of the voting member, the alternate votes.

Each county's proportionate share of the total operating cost 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 as 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.

At December 31, 2006, the Commission had \$1,260,000 in long-term bonds outstanding. The bonds will be retired from solid waste fee revenues. Should these revenues be insufficient to retire the debt, the participating counties are currently responsible in the following proportion:

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

Isanti County's proportionate share of the bonds payable is \$298,620, for which the County is contingently liable.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

East Central Solid Waste Commission (Continued)

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. Isanti County's contribution was \$180,496 for 2006.

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

East Central Regional Library

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

Isanti County's contribution for 2006 was \$354,615. Complete financial statements of the East Central Regional Library can be obtained at 244 South Birch, Cambridge, Minnesota 55008.

D. Jointly-Governed Organization

Isanti County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organization listed below:

Isanti County Integrated Collaborative

The Isanti County Integrated Collaborative was established February 18, 1998, under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Isanti County Family Services, Braham Area School District #314, Cambridge-Isanti Independent School District #911, Isanti County Public Health, and the Isanti County Probation Department.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organization

Isanti County Integrated Collaborative (Continued)

The purpose of the Collaborative is to provide culturally appropriate programs and services to children and families, prevent children from developing more severe disabilities, and provide for the safety and security of the community and its children.

Control of the Isanti County Integrated Collaborative is vested in a five-member Governance Board appointed by the member parties.

Financing is provided by state and federal grants and contributions from its member parties. Isanti County, in an agent capacity, reports the cash transactions of the Isanti County Integrated Collaborative's Integrated Fund as an agency fund in its financial statements.

Financial statements of the Isanti County Integrated Collaborative's Integrated Fund can be obtained at Isanti County Family Services Department, 1700 State Highway 293, Suite A, Cambridge, Minnesota 55008.

7. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented component units have the following significant accounting policies.

Reporting Entities

The Green Lake Improvement District is governed by a nine-member board of directors elected by eligible property owners within the District.

The Long Lake Improvement District is governed by a seven-member board of directors initially appointed by the County Board. Future board members will be elected by property owners within the District.

Due to the entities' financial dependency, the County classifies both entities as discrete component units.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

7. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Green Lake Improvement District and the Long Lake Improvement District both present their activities as a single governmental fund.

Basis of Accounting

The Green Lake Improvement District and the Long Lake Improvement District General Funds are accounted for on the modified accrual basis of accounting.

Cash and Pooled Investments

All cash of the Green Lake Improvement District and the Long Lake Improvement District is deposited with the County Treasurer and included within the County's cash and pooled investments.

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables as of December 31, 2006, for each discretely presented component unit, including any applicable allowances for uncollectible accounts, are as follows:

| | Green Lake Improvement District | Long Lake Improvement District | Total |
|-----------------------|---------------------------------------|--------------------------------------|----------|
| Taxes | \$ 187 | \$ - | \$ 187 |
| Special assessments | 3,307 | - | 3,307 |
| Total Component Units | \$ 3,494 | \$ - | \$ 3,494 |

All receivable amounts for the discretely presented component units are scheduled for collection during the subsequent year.

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

7. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets (Continued)

Capital Assets

The Long Lake Improvement District does not have any capital assets as of December 31, 2006.

The Green Lake Improvement District capital asset activity for the year ended December 31, 2006, was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--------------------------------------------------------------------|----------------------|----------|----------|-------------------|
| Capital assets depreciated Improvements other than buildings | \$ 76,909 | \$ - | \$ - | \$ 76,909 |
| Less: accumulated depreciation | 14,100 | 3,845 | - | 17,945 |
| Component Unit Capital Assets, Net | \$ 62,809 | \$ 3,845 | \$ - | \$ 58,964 |

Depreciation expense was charged to functions/programs of the Green Lake Improvement District as follows:

| | |
|---------------------------------|----------|
| Green Lake Improvement District | \$ 3,845 |
|---------------------------------|----------|

2. Liabilities

Payables

Payables at December 31, 2006, were as follows:

| | Green Lake Improvement District | Long Lake Improvement District | Total |
|----------|---------------------------------------|--------------------------------------|----------|
| Accounts | \$ 2,256 | \$ - | \$ 2,256 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

7. Discretely Presented Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

3. Reclassification

A re-examination of the components of net assets for the Green Lake Improvement District found that at January 1, 2006, net assets invested in capital assets, net of related debt, was understated, and unrestricted net assets was overstated. As a result, the components of the net asset balance at January 1, 2006, for the Green Lake Improvement District have been reclassified as follows:

| | Amounts Prior to Reclassification | Reclassification | Amounts Reclassified |
|------------------------------------------------|-----------------------------------------|------------------|-------------------------|
| Net Assets January 1, 2006 | | | |
| Invested in net assets, net of related debt | \$ - | \$ 62,809 | \$ 62,809 |
| Unrestricted | 42,253 | (62,809) | (20,556) |
| Total | \$ 42,253 | \$ - | \$ 42,253 |

REQUIRED SUPPLEMENTARY INFORMATION

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 1

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 6,997,680 | \$ 6,997,680 | \$ 6,787,457 | \$ (210,223) |
| Special assessments | - | - | 2,236 | 2,236 |
| Licenses and permits | 608,290 | 608,290 | 510,976 | (97,314) |
| Intergovernmental | 3,758,163 | 3,758,163 | 4,101,934 | 343,771 |
| Charges for services | 2,339,186 | 2,339,186 | 1,879,852 | (459,334) |
| Fines and forfeits | 24,000 | 24,000 | 92,609 | 68,609 |
| Gifts and contributions | 16,600 | 16,600 | 126,326 | 109,726 |
| Investment earnings | 340,000 | 340,000 | 525,909 | 185,909 |
| Miscellaneous | 134,886 | 134,886 | 550,021 | 415,135 |
| Total Revenues | \$ 14,218,805 | \$ 14,218,805 | \$ 14,577,320 | \$ 358,515 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Commissioners | \$ 222,107 | \$ 222,107 | \$ 218,909 | \$ 3,198 |
| Courts | 37,000 | 37,000 | 39,940 | (2,940) |
| Law library | 27,999 | 27,999 | 28,585 | (586) |
| County administration | 774,219 | 774,219 | 742,158 | 32,061 |
| County auditor | 561,654 | 561,654 | 546,026 | 15,628 |
| Auditing services | 35,000 | 35,000 | 40,478 | (5,478) |
| County treasurer | 217,132 | 217,132 | 205,219 | 11,913 |
| County assessor | 378,251 | 378,251 | 390,533 | (12,282) |
| Elections | 38,650 | 38,650 | 33,017 | 5,633 |
| Management information systems | 294,234 | 294,234 | 235,221 | 59,013 |
| Central services | 10,000 | 10,000 | 11,989 | (1,989) |
| Human rights commission | 2,000 | 2,000 | 2,342 | (342) |
| Attorney | 947,866 | 947,866 | 897,381 | 50,485 |
| Recorder | 248,995 | 248,995 | 244,458 | 4,537 |
| Surveyor | 35,000 | 35,000 | 36,410 | (1,410) |
| Geographic information systems | 18,000 | 18,000 | 109,134 | (91,134) |
| Planning and zoning | 554,795 | 554,795 | 518,107 | 36,688 |
| Buildings and maintenance | 895,090 | 895,090 | 790,731 | 104,359 |
| Library building maintenance | 40,000 | 40,000 | 31,256 | 8,744 |
| Veterans services | 63,406 | 63,406 | 48,125 | 15,281 |
| Transportation plan | - | - | 61,103 | (61,103) |
| County contingency | 100,000 | 100,000 | 4,974 | 95,026 |
| Other general government | 90,000 | 90,000 | 90,000 | - |
| Total general government | \$ 5,591,398 | \$ 5,591,398 | \$ 5,326,096 | \$ 265,302 |

The notes to the required supplementary information are an integral part of this statement.

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 1
(Continued)

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|------------------------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Public safety | | | | |
| Sheriff | \$ 4,364,028 | \$ 4,364,028 | \$ 4,629,933 | \$ (265,905) |
| Safety and rescue | 14,000 | 14,000 | 5,884 | 8,116 |
| Probation and parole | 683,931 | 683,931 | 651,917 | 32,014 |
| Coroner | 59,840 | 59,840 | 69,108 | (9,268) |
| Emergency management | 54,344 | 54,344 | 87,774 | (33,430) |
| Total public safety | \$ 5,176,143 | \$ 5,176,143 | \$ 5,444,616 | \$ (268,473) |
| Health | | | | |
| Public health | \$ 1,373,311 | \$ 1,373,311 | \$ 1,434,575 | \$ (61,264) |
| Culture and recreation | | | | |
| Parks | \$ 170,315 | \$ 170,315 | \$ 160,574 | \$ 9,741 |
| Bike trails | - | - | 74,375 | (74,375) |
| Historical society | 25,000 | 25,000 | 21,177 | 3,823 |
| Celebrations | 985 | 985 | 915 | 70 |
| Total culture and recreation | \$ 196,300 | \$ 196,300 | \$ 257,041 | \$ (60,741) |
| Conservation of natural resources | | | | |
| Extension service | \$ 138,348 | \$ 138,348 | \$ 138,842 | \$ (494) |
| Soil and water conservation | 80,965 | 80,965 | 70,066 | 10,899 |
| Oak wilt program | 6,500 | 6,500 | 44,501 | (38,001) |
| Agricultural society and County fair | 30,000 | 30,000 | 30,000 | - |
| Agricultural inspections | 10,595 | 10,595 | 7,577 | 3,018 |
| Predator control | 8,000 | 8,000 | 8,859 | (859) |
| Total conservation of natural resources | \$ 274,408 | \$ 274,408 | \$ 299,845 | \$ (25,437) |
| Economic development | | | | |
| Transit | \$ 645,686 | \$ 645,686 | \$ 774,164 | \$ (128,478) |
| Intergovernmental | | | | |
| Library | \$ 354,615 | \$ 354,615 | \$ 354,983 | \$ (368) |
| Sanitation | 190,494 | 190,494 | 180,714 | 9,780 |
| Total intergovernmental | \$ 545,109 | \$ 545,109 | \$ 535,697 | \$ 9,412 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 1
(Continued)

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|----------------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures (Continued) | | | | |
| Capital outlay | | | | |
| General government | \$ 271,700 | \$ 271,700 | \$ 364,828 | \$ (93,128) |
| Public safety | 105,750 | 105,750 | 329,485 | (223,735) |
| Culture and recreation | 27,000 | 27,000 | 53,009 | (26,009) |
| Economic development | 12,000 | 12,000 | 54,068 | (42,068) |
| Total capital outlay | \$ 416,450 | \$ 416,450 | \$ 801,390 | \$ (384,940) |
| Total Expenditures | \$ 14,218,805 | \$ 14,218,805 | \$ 14,873,424 | \$ (654,619) |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ - | \$ - | \$ (296,104) | \$ (296,104) |
| Fund Balance - January 1 | 5,901,077 | 5,901,077 | 5,901,077 | - |
| Fund Balance - December 31 | \$ 5,901,077 | \$ 5,901,077 | \$ 5,604,973 | \$ (296,104) |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 2

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|------------------------------------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 1,160,935 | \$ 1,160,935 | \$ 1,156,191 | \$ (4,744) |
| Intergovernmental | 4,962,378 | 4,962,378 | 5,299,278 | 336,900 |
| Charges for services | 62,575 | 62,575 | 41,852 | (20,723) |
| Miscellaneous | 26,000 | 26,000 | 138,160 | 112,160 |
| Total Revenues | \$ 6,211,888 | \$ 6,211,888 | \$ 6,635,481 | \$ 423,593 |
| Expenditures | | | | |
| Current | | | | |
| Highways and streets | | | | |
| Administration | \$ 289,204 | \$ 289,204 | \$ 449,077 | \$ (159,873) |
| Maintenance | 1,050,457 | 1,050,457 | 1,060,709 | (10,252) |
| Construction | 4,618,471 | 4,618,471 | 4,326,324 | 292,147 |
| Equipment, maintenance, and shop | 403,756 | 403,756 | 484,029 | (80,273) |
| Total Expenditures | \$ 6,361,888 | \$ 6,361,888 | \$ 6,320,139 | \$ 41,749 |
| Excess of Revenues Over (Under) Expenditures | \$ (150,000) | \$ (150,000) | \$ 315,342 | \$ 465,342 |
| Fund Balance - January 1 | 1,175,502 | 1,175,502 | 1,175,502 | - |
| Increase (decrease) in reserved for inventories | - | - | 62,122 | 62,122 |
| Fund Balance - December 31 | \$ 1,025,502 | \$ 1,025,502 | \$ 1,552,966 | \$ 527,464 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 3

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 3,032,224 | \$ 3,032,224 | \$ 3,021,056 | \$ (11,168) |
| Intergovernmental | 7,361,886 | 7,361,886 | 6,803,986 | (557,900) |
| Charges for services | 86,617 | 86,617 | 123,856 | 37,239 |
| Miscellaneous | 397,152 | 397,152 | 515,340 | 118,188 |
| Total Revenues | \$ 10,877,879 | \$ 10,877,879 | \$ 10,464,238 | \$ (413,641) |
| Expenditures | | | | |
| Current | | | | |
| Human services | | | | |
| Income maintenance | \$ 2,415,253 | \$ 2,415,253 | \$ 2,168,755 | \$ 246,498 |
| Social services | 8,506,008 | 8,506,008 | 7,488,069 | 1,017,939 |
| Total Expenditures | \$ 10,921,261 | \$ 10,921,261 | \$ 9,656,824 | \$ 1,264,437 |
| Excess of Revenues Over (Under) Expenditures | \$ (43,382) | \$ (43,382) | \$ 807,414 | \$ 850,796 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | - | (261,563) | (261,563) |
| Net Change in Fund Balance | \$ (43,382) | \$ (43,382) | \$ 545,851 | \$ 589,233 |
| Fund Balance - January 1 | 4,468,127 | 4,468,127 | 4,468,127 | - |
| Fund Balance - December 31 | \$ 4,424,745 | \$ 4,424,745 | \$ 5,013,978 | \$ 589,233 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 4

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 769,139 | \$ 769,139 | \$ 764,273 | \$ (4,866) |
| Intergovernmental | 183,958 | 183,958 | 185,112 | 1,154 |
| Investment earnings | - | - | 25,063 | 25,063 |
| Total Revenues | \$ 953,097 | \$ 953,097 | \$ 974,448 | \$ 21,351 |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | \$ 550,000 | \$ 550,000 | \$ 550,000 | \$ - |
| Interest | 403,097 | 403,097 | 364,696 | 38,401 |
| Administrative charges | - | - | 3,126 | (3,126) |
| Total Expenditures | \$ 953,097 | \$ 953,097 | \$ 917,822 | \$ 35,275 |
| Excess of Revenues Over (Under) Expenditures | \$ - | \$ - | \$ 56,626 | \$ 56,626 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | - | (165,254) | (165,254) |
| Net Change in Fund Balance | \$ - | \$ - | \$ (108,628) | \$ (108,628) |
| Fund Balance - January 1 | 1,668,455 | 1,668,455 | 1,668,455 | - |
| Fund Balance - December 31 | \$ 1,668,455 | \$ 1,668,455 | \$ 1,559,827 | \$ (108,628) |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2006

Stewardship, Compliance, and Accountability

Budgetary Information

General Budget Policies

The County Board adopts annual estimated revenue and expenditure budgets for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, and the Debt Service Fund. For 2006, however, budgets were not adopted for the Capital Projects Fund, the Sheriff's Contingency Special Revenue Fund, the Forfeited Tax Sale Special Revenue Fund, and Ditch Special Revenue Funds. The budgets may be amended or modified at any time by the County Board.

Encumbrances

Encumbrance accounting, under which commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the governmental funds. Encumbrances outstanding at year-end are reported as reserved fund balances since they do not constitute expenditures or liabilities.

Budget Basis of Accounting

Budgets for the General Fund and budgeted special revenue funds are adopted on a basis consistent with generally accepted accounting principles.

Expenditures in Excess of Appropriations

For the year ended December 31, 2006, expenditures exceeded appropriations in the General Fund by \$654,619. The functions with the largest negative variances between appropriations and expenditures were public safety (\$268,473); health (\$61,264); culture and recreation (\$60,741); economic development (\$128,478); and capital outlay (\$384,940) expenditures. These variances were funded by greater than anticipated revenues in the General Fund and the use of available fund balance.

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SUPPLEMENTARY INFORMATION

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Forfeited Tax Sale Fund accounts for the proceeds from the sale of property forfeited due to unpaid taxes.

The Sheriff's Contingency Fund accounts for monies set aside for special investigations by the County Sheriff.

The Ditch Fund accounts for the construction and repair of ditch systems.

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2006**

| | Forfeited Tax Sale | Sheriff's Contingency | Ditch | Total (Exhibit 3) |
|---------------------------------------------|-------------------------------|----------------------------------|------------------|------------------------------|
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 29,007 | \$ 3,529 | \$ 10,243 | \$ 42,779 |
| Accrued interest receivable | 719 | - | - | 719 |
| Due from other governments | - | 113 | - | 113 |
| Loans receivable | 86,265 | - | - | 86,265 |
| | \$ 115,991 | \$ 3,642 | \$ 10,243 | \$ 129,876 |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities | | | | |
| Due to other funds | \$ 14,048 | \$ - | \$ - | \$ 14,048 |
| Due to other governments | 13,042 | - | - | 13,042 |
| Deferred revenue - unavailable | 86,984 | - | - | 86,984 |
| | \$ 114,074 | \$ - | \$ - | \$ 114,074 |
| Fund Balances | | | | |
| Unreserved | | | | |
| Undesignated | 1,917 | 3,642 | 10,243 | 15,802 |
| | \$ 115,991 | \$ 3,642 | \$ 10,243 | \$ 129,876 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Statement 2

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

| | Forfeited Tax Sale | Sheriff's Contingency | Ditch | Total (Exhibit 5) |
|----------------------------------------|-------------------------------|----------------------------------|------------------|------------------------------|
| Revenues | | | | |
| Taxes | \$ 50 | \$ - | \$ - | \$ 50 |
| Fines and forfeits | 27,313 | 1,380 | - | 28,693 |
| Total Revenues | \$ 27,363 | \$ 1,380 | \$ - | \$ 28,743 |
| Expenditures | | | | |
| Current | | | | |
| General government | 27,387 | - | - | 27,387 |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ (24) | \$ 1,380 | \$ - | \$ 1,356 |
| Fund Balance - January 1 | 1,941 | 2,262 | 10,243 | 14,446 |
| Fund Balance - December 31 | \$ 1,917 | \$ 3,642 | \$ 10,243 | \$ 15,802 |

FIDUCIARY FUNDS

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Balance January 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance December 31</u> |
|-----------------------------------|------------------------------|----------------------|----------------------|--------------------------------|
| <u>AGENCY</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 235,998 | \$ 2,678,962 | \$ 2,703,821 | \$ 211,139 |
| Due from other governments | - | 594 | - | 594 |
| Total Assets | \$ 235,998 | \$ 2,679,556 | \$ 2,703,821 | \$ 211,733 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 235,998 | \$ 2,679,556 | \$ 2,703,821 | \$ 211,733 |
| <u>TAXES AND PENALTIES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 485,917 | \$ 35,319,455 | \$ 35,296,206 | \$ 509,166 |
| Due from other governments | - | 7,826 | - | 7,826 |
| Total Assets | \$ 485,917 | \$ 35,327,281 | \$ 35,296,206 | \$ 516,992 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 485,917 | \$ 35,327,281 | \$ 35,296,206 | \$ 516,992 |
| <u>COLLABORATIVE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 542,211 | \$ 173,758 | \$ 434,283 | \$ 281,686 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 542,211 | \$ 173,758 | \$ 434,283 | \$ 281,686 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--------------------------------------|------------------------------|-----------------------------|-----------------------------|--------------------------------|
| <u>TOTAL ALL AGENCY FUNDS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 1,264,126 | \$ 38,172,175 | \$ 38,434,310 | \$ 1,001,991 |
| Due from other governments | - | 8,420 | - | 8,420 |
| Total Assets | <u>\$ 1,264,126</u> | <u>\$ 38,180,595</u> | <u>\$ 38,434,310</u> | <u>\$ 1,010,411</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | <u>\$ 1,264,126</u> | <u>\$ 38,180,595</u> | <u>\$ 38,434,310</u> | <u>\$ 1,010,411</u> |

COMPONENT UNITS

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Statement 4

**BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2006**

| | Green Lake Improvement District | Long Lake Improvement District | Total |
|--------------------------------|------------------------------------------------|-----------------------------------------------|-------------------|
| <u>Assets</u> | | | |
| Cash and pooled investments | \$ 117,003 | \$ 365 | \$ 117,368 |
| Taxes receivable | | | |
| Delinquent | 187 | - | 187 |
| Special assessments receivable | | | |
| Current | 3,270 | - | 3,270 |
| Prior | 37 | - | 37 |
| | \$ 120,497 | \$ 365 | \$ 120,862 |
| Total Assets | \$ 120,497 | \$ 365 | \$ 120,862 |

Liabilities and Fund Balances

| | | | |
|--------------------------------------------|-------------------|---------------|-------------------|
| Liabilities | | | |
| Accounts payable | \$ 2,256 | \$ - | \$ 2,256 |
| Deferred revenue | 3,403 | - | 3,403 |
| | \$ 5,659 | \$ - | \$ 5,659 |
| Fund Balances | | | |
| Unreserved | | | |
| Undesignated | \$ 114,838 | \$ 365 | \$ 115,203 |
| | \$ 120,497 | \$ 365 | \$ 120,862 |
| Total Liabilities and Fund Balances | \$ 120,497 | \$ 365 | \$ 120,862 |

Reconciliation of Fund Balance to Net Assets

| | |
|-----------------------------------------------------------------------------------------------|-------------------|
| Fund Balance | \$ 115,203 |
| Capital assets are reported on the Statement of Net Assets but not on the Fund Balance Sheet. | 58,964 |
| Assets not available to pay current expenditures are deferred in the fund. | 3,403 |
| Long-term liabilities, including advances payable, are not reported in the fund. | (120,000) |
| Net Assets | \$ 57,570 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Statement 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Green Lake Improvement District | Long Lake Improvement District | Total |
|---------------------------------------------------------|------------------------------------------------|-----------------------------------------------|-------------------|
| Revenues | | | |
| Taxes | \$ 22,208 | \$ - | \$ 22,208 |
| Special assessments | 4,206 | - | 4,206 |
| Intergovernmental | 1,062 | - | 1,062 |
| Gifts and contributions | 440 | 1,000 | 1,440 |
| Miscellaneous | 569 | - | 569 |
| Total Revenues | \$ 28,485 | \$ 1,000 | \$ 29,485 |
| Expenditures | | | |
| Current | | | |
| Conservation of natural resources | 5,893 | 635 | 6,528 |
| Excess of Revenues Over (Under) Expenditures | \$ 22,592 | \$ 365 | \$ 22,957 |
| Fund Balance - January 1 | 92,246 | - | 92,246 |
| Fund Balance - December 31 | \$ 114,838 | \$ 365 | \$ 115,203 |

Reconciliation of the Change in Fund Balance to the Change in Net Assets

Net Change in Fund Balance **\$ 22,957**

In the fund, receivables not available for expenditures are deferred. In the statement of activities, these revenues are recognized when earned.

| | |
|--------------------------------|---------|
| Deferred revenue - December 31 | 3,403 |
| Deferred revenue - January 1 | (7,198) |

The fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over the assets' estimated useful lives and reported as depreciation expense. (3,845)

Net Change in Net Assets **\$ 15,317**

OTHER SCHEDULES

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 5

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

| | 2005 | | 2006 | | 2007 | |
|-------------------------------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|
| | Amount | Net Tax Capacity Rate (%) | Amount | Net Tax Capacity Rate (%) | Amount | Net Tax Capacity Rate (%) |
| Tax Capacity | | | | | | |
| Real property | \$ 24,183,946 | | \$ 28,140,937 | | \$ 31,805,767 | |
| Personal property | 369,334 | | 398,387 | | 498,977 | |
| Less: tax increment | (355,281) | | (372,230) | | (455,967) | |
| Net Tax Capacity | \$ 24,197,999 | | \$ 28,167,094 | | \$ 31,848,777 | |
| Taxes Levied for County Purposes | | | | | | |
| General | \$ 7,916,794 | 29.027 | \$ 8,262,547 | 26.393 | \$ 8,720,837 | 24.613 |
| Road and Bridge | 1,377,872 | 5.052 | 1,438,613 | 4.595 | 1,663,613 | 4.695 |
| Human Services | 3,688,922 | 13.526 | 3,757,531 | 12.003 | 3,853,970 | 10.877 |
| Capital Improvement Debt Service | - | - | - | - | 150,000 | 0.423 |
| Jail Debt Service | 140,252 | 0.514 | 220,147 | 0.703 | 213,615 | 0.603 |
| Government Center Debt Service | 734,235 | 2.692 | 732,950 | 2.341 | 730,805 | 2.063 |
| Total Levy for County Purposes | \$ 13,858,075 | 50.811 | \$ 14,411,788 | 46.035 | \$ 15,332,840 | 43.274 |
| Less: Credits Payable by State | 1,562,640 | | 1,445,022 | | 1,550,557 | |
| Net Levy for County Purposes | \$ 12,295,435 | | \$ 12,966,766 | | \$ 13,782,283 | |
| Percentage of Tax Collections for All Purposes | 97.30% | | 96.42% | | | |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 6

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

| | County Ditches | | | | Totals |
|-----------------------------|------------------|-------------------|--------------|-----------------|------------------|
| | 1 | 3 | 4 | 16 | |
| <u>Assets</u> | | | | | |
| Cash and pooled investments | \$ 15,489 | \$ (4,584) | \$ 62 | \$ (724) | \$ 10,243 |
| <u>Fund Balances</u> | | | | | |
| Unreserved, undesignated | \$ 15,489 | \$ (4,584) | \$ 62 | \$ (724) | \$ 10,243 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 7

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

| | Governmental Funds | Discretely Presented Component Units |
|----------------------------------------|-------------------------------|---------------------------------------------------------|
| Shared Revenue | | |
| State | | |
| Highway users tax | \$ 3,815,672 | \$ - |
| Market value credit | 1,310,496 | 1,062 |
| PERA rate reimbursement | 37,531 | - |
| Disparity reduction aid | 39,995 | - |
| County program aid | 1,528,522 | - |
| Police aid | 93,332 | - |
| | \$ 6,825,548 | \$ 1,062 |
| Total Shared Revenue | | |
| Reimbursement for Services | | |
| State | | |
| Minnesota Department of Human Services | \$ 2,100,721 | \$ - |
| | \$ 2,100,721 | \$ - |
| Payments | | |
| Local | | |
| Local contributions | \$ 55,102 | \$ - |
| Payments in lieu of taxes | 96,433 | - |
| | \$ 151,535 | \$ - |
| Total Payments | | |
| Grants | | |
| State | | |
| Minnesota Department of | | |
| Corrections | \$ 226,289 | \$ - |
| Public Safety | 145,134 | - |
| Transportation | 576,428 | - |
| Health | 245,620 | - |
| Natural Resources | 17,136 | - |
| Human Services | 2,815,428 | - |
| Water and Soil Resources Board | 112,601 | - |
| Pollution Control Agency | 77,989 | - |
| | \$ 4,216,625 | \$ - |
| Total State | | |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 7
(Continued)

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

| | Governmental Funds | Discretely Presented Component Units |
|----------------------------------------|-------------------------------|---------------------------------------------------------|
| Grants (Continued) | | |
| Federal | | |
| Department of | | |
| Agriculture | \$ 245,296 | \$ - |
| Justice | 21,607 | - |
| Transportation | 1,375,531 | - |
| Education | 1,686 | - |
| Health and Human Services | 1,568,292 | - |
| Homeland Security | 19,508 | - |
| Election Assistance Commission | 108,161 | - |
| | \$ 3,340,081 | \$ - |
| Total Federal | \$ 3,340,081 | \$ - |
| Total State and Federal Grants | \$ 7,556,706 | \$ - |
| Total Intergovernmental Revenue | \$ 16,634,510 | \$ 1,062 |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 8

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

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Fair Value</u> |
|-------------------------------------------------|--------------------------|--------------------------|----------------------------|
| Deposits and Investments | | | |
| Checking accounts | | | |
| Cambridge State Bank | - | - | \$ (97,535) |
| People's Bank of Commerce | - | - | 210,206 |
| Total checking accounts | | | <u>\$ 112,671</u> |
| Certificates of deposit | | | |
| People's Bank of Commerce | 4.770% | March 17, 2007 | \$ 300,000 |
| People's Bank of Commerce | 4.900% | July 29, 2007 | 10,000 |
| Rural American Bank | 4.100% | June 22, 2007 | 250,000 |
| Total certificates of deposit | | | <u>\$ 560,000</u> |
| Negotiable certificates of deposit | | | |
| Standard Federal Bank | Variable | November 10, 2010 | \$ 93,987 |
| LaSalle Bank | Variable | February 9, 2011 | 91,834 |
| M & T Bank | 3.750% | September 26, 2011 | 98,555 |
| M & I Bank | 4.125% | January 8, 2013 | 95,975 |
| Waypoint Bank | 3.000% | July 8, 2013 | 95,479 |
| Huntington National Bank | 4.500% | December 2, 2014 | 95,567 |
| Total negotiable certificates of deposit | | | <u>\$ 571,397</u> |
| Money market savings accounts | | | |
| Cambridge State Bank | 2.450% | - | \$ 1,310,417 |
| People's Bank of Commerce | 2.480% | - | 1,216,621 |
| Wells Fargo | 5.130% | - | 1,751,925 |
| Total money market savings accounts | | | <u>\$ 4,278,963</u> |
| Cash management fund | | | |
| MAGIC Fund | Variable | - | <u>\$ 3,059,881</u> |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**Schedule 8
(Continued)**

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

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Fair Value</u> |
|------------------------------------------------|--------------------------|--------------------------|-----------------------|
| Deposits and Investments (Continued) | | | |
| U.S. government agency securities | | | |
| Federal Home Loan Bank | 4.500% | February 9, 2007 | \$ 149,090 |
| Federal Home Loan Bank | 4.500% | November 9, 2007 | 321,081 |
| Federal Home Loan Bank | 4.000% | January 15, 2008 | 197,410 |
| Freddie Mac | 3.000% | February 25, 2008 | 248,012 |
| Federal Home Loan Bank | 4.000% | July 29, 2008 | 490,555 |
| Federal Home Loan Bank | 5.375% | December 5, 2008 | 299,226 |
| Federal Home Loan Bank | 5.000% | December 16, 2008 | 148,545 |
| Federal Home Loan Bank | 5.350% | September 18, 2009 | 298,740 |
| Federal Home Loan Bank | 5.400% | November 13, 2009 | 250,078 |
| Federal Home Loan Bank | 5.300% | November 20, 2009 | 199,687 |
| Fannie Mae | 5.300% | June 14, 2010 | 199,500 |
| Federal Home Loan Bank | 5.250% | September 29, 2011 | 249,375 |
| Fannie Mae | 5.500% | December 27, 2011 | 300,000 |
| Federal Home Loan Bank | 5.000% | May 1, 2013 | 195,690 |
| Federal Home Loan Bank | 4.000% | June 19, 2013 | 242,190 |
| Federal Home Loan Bank | 4.000% | June 26, 2013 | 476,565 |
| Federal Home Loan Bank | 4.000% | June 26, 2013 | 190,626 |
| Federal Home Loan Bank | 4.000% | July 17, 2013 | 217,408 |
| Federal Home Loan Bank | 4.000% | August 13, 2013 | 291,096 |
| Federal Home Loan Bank | 5.000% | May 25, 2018 | 195,300 |
| Total U.S. government agency securities | | | \$ 5,160,174 |
| Total Deposits and Investments | | | \$ 13,743,086 |

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 9

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

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the financial statements of Isanti County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Isanti 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*." One of the significant deficiencies was a material weakness.
- C. No instances of noncompliance material to the financial statements of Isanti 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 Isanti County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- | | |
|------------------------------------------|--------------|
| Highway Planning and Construction | CFDA #20.205 |
| Federal Transit Capital Investment Grant | CFDA #20.500 |
| Child Care Development Block Grant | CFDA #93.575 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Isanti County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

05-1 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 Auditor, Treasurer, Recorder, Planning and Zoning, and Highway. This is not unusual in operations the size of Isanti 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.

We understand that the County's management has acknowledged this condition and is taking steps to address it when possible. We encourage the County to continue with these efforts.

Client's Response:

Management is aware of this situation and will review procedures periodically.

ITEMS ARISING THIS YEAR

06-1 Infrastructure Reporting

Our review of the County's records on infrastructure assets found that:

- Amounts totaling \$806,700 were omitted from being capitalized during 2006. As a result, an audit adjustment to the government-wide financial statements was made to increase capital assets and decrease expenses related to highways and streets.
- A prior period adjustment of \$1,807,614 was needed to account for infrastructure costs related to right-of-way that had been omitted from previous financial statements. As a result, capital assets and net assets--invested in capital assets, net of related debt, have been increased by \$1,807,614.

We recommend that internal controls over the capitalization of infrastructure assets be reviewed to ensure that all such assets are properly recognized in the year of capitalization.

Client's Response:

The County Highway Department will review procedures to ensure that all costs related to infrastructure are properly capitalized. In addition, the County Auditor's staff will perform a reconciliation to ensure that capitalized amounts in the financial statements are consistent with the disbursements recorded in the general ledger and amounts reported in the Highway Department's annual report.

06-2 Credit Card Use and Policies

A substantial number of transactions are processed by Isanti County that involve credit card expenditures. Most departments have access to a credit card for departmental purchases. The ability of the cardholder to make the County liable for an improper or illegal purchase is an inherent risk associated with credit cards. Compliance with state statutes and the adoption and adherence to a County policy implementing further controls will help reduce the County's exposure to the loss of public funds through theft or misuse of credit cards.

Our review of credit card use in the County found the following:

- there is no credit card policy that implements statutory requirements as well as good management practices and internal controls,
- several claims lacked a clear indication of the individual making the purchase,
- some claims did not include detailed receipts for the purchases,
- some claims were being approved by the same individual making the purchase,
- a few claims included finance charges for late payments, and
- two claims were questionable due to the public purpose of the expenditure.

We recommend the County adopt a credit card policy that:

- identifies employees and elected officials who are authorized to make purchases on behalf of the County and are eligible to use the credit cards,
- identifies particular purchases that are to be made with the credit cards,
- sets up a review process for all purchases made with the credit cards,
- prohibits the use of credit cards for personal purchases, and
- requires supporting documentation for all purchases made with the credit cards.

We also recommend that the County consider restricting the total amount of charges that can be made on the credit cards, thereby limiting exposure to theft or other improper uses of the credit cards.

Client's Response:

On June 5, 2007, the Isanti County Board of Commissioners officially adopted a comprehensive credit card policy to address these issues.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

Security Interest in Pledged Collateral (05-2)

Our previous report recommended that the County require its depositories to provide the County documentation of a perfected security interest in pledged collateral, in accordance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

Resolution

Our current review found that sufficient progress had been made on this matter to consider the finding resolved.

Sheriff's Department Safety and Rescue Team – Remittance of Proceeds (05-3)

Our previous report noted that the Sheriff Department's Safety and Rescue Team maintained a checking account during the year to account for proceeds of primarily donations and disbursements of materials and supplies needed for the rescue team. We recommended that the collections be remitted to the County Treasurer and disbursements for the team be made in compliance with legal requirements and County policy.

Resolution

We found that the checking account had been closed. Also, no disbursements came to our attention that were not in compliance with legal requirements or County policy.

B. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

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

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

Schedule 9
(Continued)

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

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

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

OTHER REQUIRED REPORTS

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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
Isanti County

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isanti County as of and for the year ended December 31, 2006, and have issued our report thereon dated September 14, 2007. 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 Isanti 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 of 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 05-1, 06-1, and 06-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Isanti 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, of the significant deficiencies described above, we consider item 06-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Isanti 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, Isanti 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 Isanti County and is reported for that purpose.

Isanti County's written responses to the significant deficiencies identified in our audit 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 and others within Isanti 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

September 14, 2007

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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
Isanti County

Compliance

We have audited the compliance of Isanti County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Isanti 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 Isanti 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, Isanti County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Isanti 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 Isanti 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isanti County as of and for the year ended December 31, 2006, and have issued our report thereon dated September 14, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of

the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 14, 2007

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**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

Schedule 10

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

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures | Passed Through to Subrecipient |
|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------|-----------------------------------------------|
| U.S. Department of Agriculture | | | |
| Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | \$ 222,090 | \$ 116,550 |
| Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program | 10.561 | 6,894 | - |
| Passed Through Minnesota Department of Natural Resources Cooperative Forestry Assistance | 10.664 | 16,312 | - |
| Total U.S. Department of Agriculture | | \$ 245,296 | \$ 116,550 |
| U.S. Department of Justice | | | |
| Passed Through Minnesota Department of Public Safety Title V Delinquency Prevention Program | 16.548 | \$ 16,743 | \$ - |
| Violence Against Women Formula Grant | 16.588 | 4,864 | - |
| Total U.S. Department of Justice | | \$ 21,607 | \$ - |
| U.S. Department of Transportation | | | |
| Passed Through Minnesota Department of Transportation Highway Planning and Construction | 20.205 | \$ 876,563 | \$ - |
| Federal Transit Capital Investment Grant | 20.500 | 244,200 | - |
| Formula Grants for Other Than Urbanized Areas | 20.509 | 244,528 | 121,575 |
| Passed Through Minnesota Department of Public Safety Hazardous Materials Emergency Preparedness Training and Planning Grants | 20.703 | 10,240 | - |
| Total U.S. Department of Transportation | | \$ 1,375,531 | \$ 121,575 |
| U.S. Department of Education | | | |
| Passed Through Minnesota Department of Health Special Education Grants for Infants and Families with Disabilities | 84.181 | \$ 1,686 | \$ - |
| U.S. Election Assistance Commission | | | |
| Passed Through Minnesota Secretary of State Help America Vote Act | 90.401 | \$ 108,161 | \$ - |

**ISANTI COUNTY
CAMBRIDGE, MINNESOTA**

**Schedule 10
(Continued)**

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

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures | Passed Through to Subrecipient |
|--------------------------------------------------------------------------------------|------------------------------------|---------------------|-----------------------------------------------|
| U.S. Department of Health and Human Services | | | |
| Passed Through Minnesota Department of Health | | | |
| Center for Disease Control and Prevention Investigations and Technical Assistance | 93.283 | \$ 112,442 | \$ 30,111 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 39,689 | 29,595 |
| National Bioterrorism Hospital Preparedness Program | 93.889 | 24,180 | - |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 68,263 | 30,034 |
| Passed Through Minnesota Department of Human Services | | | |
| Promoting Safe and Stable Families | 93.556 | 16,594 | - |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 382,893 | - |
| Child Care and Development Block Grant | 93.575 | 386,415 | 386,415 |
| Foster Care Title IV-E | 93.658 | 95,386 | - |
| Social Services Block Grant | 93.667 | 183,453 | - |
| Chafee Foster Care Independence Program | 93.674 | 5,447 | - |
| Medical Assistance Program | 93.778 | 18,644 | - |
| Block Grants for Community Mental Health Services | 93.958 | 14,923 | - |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 219,963 | 88,685 |
| Total U.S. Department of Health and Human Services | | \$ 1,568,292 | \$ 564,840 |
| U.S. Department of Homeland Security | | | |
| Passed Through Minnesota Department of Public Safety | | | |
| State Domestic Preparedness Equipment Support Program | 97.004 | \$ 4,824 | \$ - |
| Emergency Management Performance Grants | 97.042 | 14,684 | - |
| Total U.S. Department of Homeland Security | | \$ 19,508 | \$ - |
| Total Federal Awards | | \$ 3,340,081 | \$ 802,965 |

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