

Credit River Township, Minnesota

CREDIT RIVER TOWNSHIP, MINNESOTA

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CREDIT RIVER TOWNSHIP, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2006

<u>Elected</u>	<u>Position</u>	<u>Term Expires March</u>
Dan Casey	Chair	2008
Leroy Schommer	Supervisor	2009
Bruce Nilsen	Supervisor	2007
Jerry Maas	Clerk	2009
Holly Batton	Treasurer	2007



INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and Board of Supervisors
Credit River Township, Minnesota
Credit River, Minnesota

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of **Credit River Township, Minnesota** (the Township), as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained detailed capital asset records of its governmental activities and has not computed depreciation on those assets. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for depreciation, which would decrease the net assets and changes in net assets, and expenses of the governmental activities; the amounts of which is not reasonably determinable.

In our opinion, except for the effects of not maintaining detailed capital asset records and not providing an adequate allowance for depreciation and expense for the governmental activities as described in the preceding paragraph, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of **Credit River Township, Minnesota**, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 6 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The accompanying supplementary information identified in the table of contents as individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Eidl Bailey LLP

Minneapolis, Minnesota
March 7, 2007

**CREDIT RIVER TOWNSHIP, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006**

PURPOSE

The purpose of this discussion and analysis is to provide a clear and understandable analysis of the Township's financial activities based upon the most current information and actions of the Township Board. This analysis concentrates in the activities for the year-end 2006.

Financial Highlights

The assets of the Township exceeded liabilities by \$1,223,000.

Net assets increased by \$93,000.

Total undesignated fund balance in the general fund amounted to \$171,000.

Overview of the Financial Statements

The discussion and analysis is intended to provide an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components. They are: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

Government-wide financial statements consist of the statement of net assets and the statement of activities and provide information about the activities of the Township as a whole and present a long-term view of the Township's finances.

In general, fund financial statements provide information about governmental and business type activities by showing how these services were financed in the short-term, as well as what remains for future spending. These statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 21 of this report.

Reporting on the Township as a Whole

The analysis of the Township as a whole begins with the statement of net assets and the statement of activities. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse as a result of this year's activities?" The statement of net assets and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the Township's net assets and changes in them. The Township's net assets can be used as a way of measuring the Township's financial health, or financial position. Over time, increases or decreases to the Township's net assets are an indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's tax base or the condition of the Township's infrastructure to assess the overall health of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting on the Township's Significant Funds

The fund financial statements that begin on page 9 provide detailed information about the Township's funds. Some funds are required to be established by state law and the Board of Supervisors establishes these funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other revenues.

Governmental Funds - The Township's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and statement of activities) and governmental funds in reconciliation to each of the fund financial statements.

The Township's individual funds changes during the year as follows (in 000's):

	<u>General</u>	<u>Road and Bridge</u>	<u>Park</u>	<u>Improvement Funds</u>
Revenue over (under) expenditures	\$ (9)	\$ 74	\$ (10)	\$ 56
Ending fund balance	171	671	123	(134)

Township as a Whole

Government-Wide Financial Statements

A condensed version of the statement of net assets at December 31, 2006, follows (in 000's):

	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>2006</u>	2005	<u>2006</u>	2005
Cash and investments	\$ 824	\$ 767	\$ 39	\$ 19
Other assets	324	318	2	-
Capital assets, net	-	-	189	196
Total assets	<u>\$ 1,148</u>	<u>\$ 1,085</u>	<u>\$ 230</u>	<u>\$ 215</u>
Other liabilities	\$ 44	\$ 59	-	-
Long-term debt	111	111	-	-
Total liabilities	<u>155</u>	<u>170</u>	<u>-</u>	<u>-</u>
Net assets				
Invested in capital assets	-	-	189	196
Restricted	-	-	18	9
Unrestricted	993	915	23	10
Total liabilities and net assets	<u>\$ 1,148</u>	<u>\$ 1,085</u>	<u>\$ 230</u>	<u>\$ 215</u>

(continued on next page)

MANAGEMENT'S DISCUSSION AND ANALYSIS

A condensed version of the statement of activities for the year ended December 31, 2006, follows (in 000's):

	Governmental Activities		Business Type Activities	
	2006	2005	2006	2005
Revenues				
Program revenues	\$ -	\$ -	\$ -	\$ -
Charges for services	135	192	56	54
Operating grants and contributions	40	41	-	-
Capital grants and contributions	48	11	-	202
General revenues	678	482	-	-
Total revenues	901	726	56	256
Expenses				
General government	204	167	-	-
Public safety	121	117	-	-
Public works and roads	465	263	41	41
Other	33	135	-	-
Total expenses	823	682	41	41
Change in net assets	78	44	15	215
Beginning net assets	915	871	215	-
Ending net assets	\$ 993	\$ 915	\$ 230	\$ 215

During 2005, the Township received a sewer system in the amount of \$202,000 donated by a developer.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Clerk at Town Hall.

CREDIT RIVER TOWNSHIP, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	Governmental Activities	Business Type Activities	Total 2006	Total 2005
ASSETS				
Cash and investments	\$ 824,038	\$ 39,022	\$ 863,060	\$ 691,378
Receivables				
Taxes	22,986	-	22,986	6,000
Special assessments	261,000	-	261,000	360,000
Accounts receivable	3,213	2,462	5,675	
Due from other governments	37,134	-	37,134	-
Capital assets, net of accumulated depreciation	-	188,997	188,997	-
TOTAL ASSETS AND OTHER DEBITS	\$ 1,148,371	\$ 230,481	\$ 1,378,852	\$ 1,057,378
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts and contracts payable	\$ 44,052	\$ -	\$ 44,052	\$ 11,176
Long-term liabilities				
Payable within one year	50,000	-	50,000	25,000
Payable after one year	61,153	-	61,153	150,000
Total liabilities	155,205	-	155,205	186,176
NET ASSETS				
Invested in capital assets	-	188,997	188,997	-
Restricted for				
Capital improvements	-	18,082	18,082	-
Unrestricted	993,166	23,402	1,016,568	871,202
Total net assets	993,166	230,481	1,223,647	871,202
TOTAL LIABILITIES AND NET ASSETS	\$ 1,148,371	\$ 230,481	\$ 1,378,852	\$ 1,057,378

CREDIT RIVER TOWNSHIP, MINNESOTA
STATEMENT OF ACTIVITIES
DECEMBER 31, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/programs				
Governmental activities				
General government	\$ (204,117)	\$ 32,966	\$ 10,790	\$ -
Public safety	(121,335)	-	-	-
Highway and streets	(318,026)	102,486	28,900	17,094
Public works	(146,865)	-	-	31,000
Other	(32,751)	-	-	-
Interest on long-term debt	-	-	-	-
Total governmental activities	<u>(823,094)</u>	<u>135,452</u>	<u>39,690</u>	<u>48,094</u>
Business type activities				
Sewer services	<u>(41,506)</u>	<u>56,001</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ (864,600)</u>	<u>\$ 191,453</u>	<u>\$ 39,690</u>	<u>\$ 48,094</u>

General revenues

Property taxes levied for general purpose

Investment income

Other

Total general revenues

Change in net assets

Net assets, January 1

Net assets, December 31

**Net (Expenses) Revenues and
Changes in Net Assets**

Governmental Activities	Business Type Activities	Total 2006	Total 2005
\$ (160,361)	\$ -	\$ (160,361)	\$ (124,824)
(121,335)	-	(121,335)	(116,759)
(169,546)	-	(169,546)	(63,655)
(115,865)	-	(115,865)	(32,810)
(32,751)	-	(32,751)	(96,692)
-	-	-	(4,644)
(599,858)	-	(599,858)	(439,384)
-	14,495	14,495	215,386
652,565	-	652,565	464,553
24,330	600	24,930	17,720
1,781	-	1,781	257
678,676	600	679,276	482,530
78,818	15,095	93,913	258,532
914,348	215,386	1,129,734	871,202
\$ 993,166	\$ 230,481	\$ 1,223,647	\$ 1,129,734

CREDIT RIVER TOWNSHIP, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	<u>General</u>	<u>Road and Bridge</u>	<u>Park</u>	<u>Pebble Brook Improvement</u>
ASSETS				
Cash and investments	\$ 202,771	\$ 456,409	\$ 123,141	\$ -
Taxes receivables	14,082	8,904	-	-
Special assessments receivable	-	-	-	57,000
Accounts receivable	3,213	-	-	-
Due from other governments	1,094	36,040	-	-
Due from other funds	-	175,769	-	-
TOTAL ASSETS	\$ 221,160	\$ 677,122	\$ 123,141	\$ 57,000
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts and contracts payable	\$ 42,442	\$ 1,610	\$ -	\$ -
Deferred revenue	8,000	5,000	-	57,000
Due to other funds	-	-	-	26,068
Total liabilities	50,442	6,610	-	83,068
Fund balances				
Unreserved				
Designated for capital improvements				
Park improvement	-	-	123,141	-
Turn lane	-	216,965	-	-
Lot fees	-	129,000	-	-
Undesignated	170,718	324,547	-	(26,068)
Total fund balances	170,718	670,512	123,141	(26,068)
TOTAL LIABILITIES AND FUND BALANCES	\$ 221,160	\$ 677,122	\$ 123,141	\$ 57,000

See Notes to Financial Statements

<u>West Side Drive Improvement</u>	<u>France Blvd Improvement</u>	<u>Other Improvement</u>	<u>Total 2006</u>	<u>Total 2005</u>
\$ -	\$ -	\$ 41,717	\$ 824,038	\$ 766,630
-	-	-	22,986	11,745
70,000	59,000	75,000	261,000	300,000
-	-	-	3,213	-
-	-	-	37,134	6,700
-	-	-	175,769	212,830
<u>\$ 70,000</u>	<u>\$ 59,000</u>	<u>\$ 116,717</u>	<u>\$ 1,324,140</u>	<u>\$ 1,297,905</u>
\$ -	\$ -	\$ -	\$ 44,052	\$ 59,574
70,000	59,000	75,000	274,000	306,000
64,198	85,503	-	175,769	212,830
<u>134,198</u>	<u>144,503</u>	<u>75,000</u>	<u>493,821</u>	<u>578,404</u>
-	-	-	123,141	133,268
-	-	-	216,965	212,800
-	-	-	129,000	92,500
(64,198)	(85,503)	41,717	361,213	280,933
<u>(64,198)</u>	<u>(85,503)</u>	<u>41,717</u>	<u>830,319</u>	<u>719,501</u>
<u>\$ 70,000</u>	<u>\$ 59,000</u>	<u>\$ 116,717</u>	<u>\$ 1,324,140</u>	<u>\$ 1,297,905</u>

CREDIT RIVER TOWNSHIP, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Total fund balances - governmental funds	\$ 830,319
Amounts reported for governmental activities in the statement of net assets are different because	
Delinquent property taxes receivable are not available to pay for current expenditures and, therefore, are deferred in the funds.	13,000
Deferred special assessments receivable are not available to pay for current expenditures and, therefore, are deferred in the funds.	261,000
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(111,153)</u>
Net assets of governmental activities	<u><u>\$ 993,166</u></u>

CREDIT RIVER TOWNSHIP, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	<u>General</u>	<u>Road and Bridge</u>	<u>Park</u>	<u>Pebble Brook Improvement</u>
REVENUES				
General tax levies	\$ 392,328	\$ 253,237	\$ -	\$ -
Special assessments	-	-	-	10,815
Intergovernmental revenue	10,790	28,900	-	-
Licenses and permits	9,881	-	31,000	-
Charges for services	23,085	102,486	-	-
Miscellaneous revenues	16,311	7,000	2,800	-
Total revenues	<u>452,395</u>	<u>391,623</u>	<u>33,800</u>	<u>10,815</u>
EXPENDITURES				
Current				
General government	204,117	-	-	-
Public safety	121,335	-	-	-
Highways and streets	-	318,026	-	-
Public works	102,938	-	-	-
Fixed and other	32,751	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	43,927	-
Total expenditures	<u>461,141</u>	<u>318,026</u>	<u>43,927</u>	<u>-</u>
Revenue over (under) expenditures	(8,746)	73,597	(10,127)	10,815
Fund balance at beginning of year	<u>179,464</u>	<u>596,915</u>	<u>133,268</u>	<u>(36,883)</u>
Fund balance at end of year	<u>\$ 170,718</u>	<u>\$ 670,512</u>	<u>\$ 123,141</u>	<u>\$ (26,068)</u>

See Notes to Financial Statements

West Side Drive Improvement	France Blvd Improvement	Other Improvement	Total 2006	Total 2005
\$ -	\$ -	\$ -	\$ 645,565	\$ 464,553
16,014	10,232	19,033	56,094	71,218
-	-	-	39,690	40,890
-	-	-	40,881	43,881
-	-	-	125,571	148,314
-	-	-	26,111	17,978
16,014	10,232	19,033	933,912	786,834
-	-	-	204,117	168,294
-	-	-	121,335	116,759
-	-	-	318,026	230,488
-	-	-	102,938	32,810
-	-	-	32,751	99,715
-	-	-	-	68,492
-	-	-	43,927	30,977
-	-	-	823,094	747,535
16,014	10,232	19,033	110,818	39,299
(80,212)	(95,735)	22,684	719,501	680,202
\$ (64,198)	\$ (85,503)	\$ 41,717	\$ 830,319	\$ 719,501

CREDIT RIVER TOWNSHIP, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Total net change in fund balance - governmental funds (modified accrual amount) \$ 110,818

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

Certain revenues that do not provide current financial resources are not
reported as revenues in the statement of activities (special assessments and
delinquent taxes). (32,000)

Changes in net assets - governmental activities \$ 78,818

CREDIT RIVER TOWNSHIP, MINNESOTA
STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND
DECEMBER 31, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	Business Type Activities Enterprise Funds	
	Sewer System	
	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 20,940	\$ 10,598
ACCOUNTS RECEIVABLE	2,462	-
RESTRICTED CASH	18,082	9,041
NONCURRENT ASSETS		
Capital assets		
Sewer system	202,497	202,497
Less accumulated depreciation	(13,500)	(6,750)
Total capital assets	188,997	195,747
Total assets	\$ 230,481	\$ 215,386
NET ASSETS		
Invested in capital assets	\$ 188,997	\$ 195,747
Restricted for capital improvements	18,082	9,041
Unrestricted	23,402	10,598
Total net assets	\$ 230,481	\$ 215,386

CREDIT RIVER TOWNSHIP, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS –
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	Business Type Activities Enterprise Funds	
	Sewer System	
	2006	2005
Operating revenue		
User fees	\$ 56,001	\$ 53,583
Operating expenses		
Administration	1,710	2,700
Utilities	2,417	2,033
Maintenance	25,349	23,686
Depreciation	6,750	6,750
Other	5,280	5,525
	<u>41,506</u>	<u>40,694</u>
Operating income	14,495	12,889
Interest income	600	-
Capital contributions	-	202,497
Change in net assets	15,095	215,386
Net assets - January 1	<u>215,386</u>	<u>-</u>
Net assets - December 31	<u>\$ 230,481</u>	<u>\$ 215,386</u>

CREDIT RIVER TOWNSHIP, MINNESOTA
STATEMENT CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	Business Type Activities Enterprise Funds	
	Sewer System	
	2006	2005
OPERATING ACTIVITIES		
Receipts from customers and users	\$ 53,539	\$ 53,583
Payments to employees	(1,710)	(2,700)
Payment to suppliers	(33,046)	(31,244)
NET CASH FROM OPERATING ACTIVITIES	18,783	19,639
INVESTING ACTIVITIES		
Interest received	600	-
NET INCREASE IN CASH	19,383	19,639
CASH - JANUARY 1	19,639	-
CASH - DECEMBER 31	\$ 39,022	\$ 19,639
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 14,495	\$ 12,889
Adjustments to reconcile operating income to net cash from operating activities		
Increase in accounts receivable	(1,862)	-
Depreciation	6,750	6,750
Total adjustments	19,383	19,639
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 19,383	\$ 19,639
Consists of		
Cash	\$ 20,940	\$ 10,598
Restricted cash	18,082	9,041
	\$ 39,022	\$ 19,639
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital asset contributions	\$ -	\$ 202,497

CREDIT RIVER TOWNSHIP, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	Balance December 31,	
	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and investments	<u>\$ 270,395</u>	<u>\$ 307,267</u>
TOTAL ASSETS	<u>\$ 270,395</u>	<u>\$ 307,267</u>
LIABILITIES		
Culvert deposits payable	\$ 53,850	\$ 89,762
NPDES escrow	138,504	165,976
Septic tank inspection fees	7,271	43,896
Developer escrows payable	<u>70,770</u>	<u>7,633</u>
TOTAL LIABILITIES	<u>\$ 270,395</u>	<u>\$ 307,267</u>

CREDIT RIVER TOWNSHIP, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Credit River Township (the Township) was incorporated and operates under a township form of government. The financial statements of the Township have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. REPORTING ENTITY

For financial reporting purposes, the Township's financial statements include all funds and account groups over which the Township is financially accountable. No component units were combined with the Township's financial report.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely on fees and charges from users for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by revenues. Program revenues include; 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items, not properly included among program revenues, are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds even though the later are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is actually received by the government.

The Township elected to report the following major governmental funds:

General Fund – The general fund is the general operating fund of the Township. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.

Road and Bridge Fund – The road and bridge fund is the fund used to account for the repairs and maintenance of roads and bridges.

Improvement Funds – The capital improvement funds account for the financial resources to be used for the acquisition, construction and improvement of major capital facilities.

The Township reports one major proprietary fund:

Sewer System Fund – This fund accounts for the operation of a community sewer system.

Proprietary funds distinguish operating revenues and expenses from non-operating items and are accounted for on an accrual basis. The Township has elected not to adopt FASB pronouncements issued after 1989. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Township generally applies unrestricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Amounts reported as program revenues include; 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

D. BUDGETS AND BUDGETARY ACCOUNTING

The Township did not adopt detailed annual budgets for the year ended December 31, 2006.

E. CASH AND INVESTMENTS

The Township maintains a cash pool that is used by all funds. Each fund's portion of this pool is presented as cash in the combining and individual fund statements. The Township generally records all interest income in the General Fund.

Investments consist of time deposits and are stated at cost, which approximates market.

NOTES TO FINANCIAL STATEMENTS

F. PROPERTY TAXES

Property tax levies are set by the Township Board each year and are certified to the County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The County spreads all levies over assessable property. Such taxes become a lien on January 1 and are recorded as receivables by the Township at that date. Revenues are accrued in the year collectible, net of delinquencies.

Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The County provides tax settlements to cities and other local governments three times a year; April, June and November.

Taxes, which remain unpaid at December 31, are classified as delinquent tax receivable and are fully offset by deferred revenue in governmental funds because they are not available to finance current expenditures.

G. SPECIAL ASSESSMENTS

Special assessments are levies against the benefited properties for the assessable costs of special assessment improvement projects in accordance with state statutes. The Township usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue. Collection of annual installments (including interest) is handled by the County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

H. INVENTORIES

The Township had no significant inventories.

I. CAPITAL ASSETS

All capital assets, generally over \$1,000, are valued at historical cost or estimated historical cost if historical cost is unavailable. Donated capital assets are valued at their fair market value on the date donated.

The Township has not maintained detailed records of its capital assets for its governmental activities and historical or estimated historical cost is not available. Accordingly, capital assets for governmental activities are not presented in this report.

Proprietary fund capital assets, generally over \$1,000, are depreciated using the straight-line method over the estimated useful life of 30 years.

J. COMPENSATED ABSENCES

The Township currently does not provide vacation or sick leave.

K. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - LEGAL COMPLIANCE

The Township Board did not adopt a budget for the 2006 year.

The following funds had deficit fund balances as of December 31, 2006:

<u>Debt Service Funds</u>	
Pebble Brook	\$ 26,068
Westside Drive	64,198
France Blvd	85,503

These deficits are expected to be funded by future special assessment revenue. These funds have cash deficits in the same amounts that are reflected as due to other funds.

NOTE 3 - RISK MANAGEMENT

The Township maintains its general property, automobile, workmen's compensation and liability coverage through the commercial insurance policies. There were no reductions in coverage and settlements have not exceeded insurance coverage in the past three years.

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits and investments (including \$307,267 in escrow funds) at December 31, 2006, consists of the following:

Checking	\$ 420,800
Money market and savings	178,832
Certificates of deposit	533,823
	<u>\$ 1,133,455</u>

Cash deficits are reflected in the financial statements as due to and due from other funds.

As of December 31, 2006, all the Township's investments are in an internal investment pool.

Custodial Credit Risk – As of year-end, the Township's bank deposits and certificates of deposit were covered by federal depository insurance or by collateral held by the Township's agent in the Township's name.

Interest Rate Risk – The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk – Statutes authorize the Township to invest in obligations of the U.S. Treasury and U.S. Agencies, Bankers' Acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The Township held no such investments during the year. The Township has no investment policy that would further limit its investment choices. As of December 31, 2006, the Township's investments consist of certificates of deposit.

Concentration of Credit Risk – The Township places no limit on the amount the Township may invest in any one issuer. All of the investments in certificates of deposit are with a local bank.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

The Township has not maintained records of its capital assets for governmental activities, and accordingly, such assets are not presented in this report. During the year, \$44,000 of capital outlay was expensed in governmental activities or funds.

During 2005, the Township received a community sewer system donated by a developer. The asset is carried as a business type activity at the following balance at December 31, 2006:

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer system	\$ 202,497	\$ -	\$ -	\$ 202,497
Accumulated depreciation	6,750	6,750	-	13,500
Net	<u>\$ 195,747</u>	<u>\$ 6,750</u>	<u>\$ -</u>	<u>\$ 188,997</u>

NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term debt:

	Funds Debt Serviced In	Original Amount	Maturity Date	Interest Rate	Ending Balance
Certificate of indebtedness	Pebble Brook and West Side	\$ 200,000	2008	2.95%	\$ 46,946
					<u>64,207</u>
					<u>\$ 111,153</u>

Long-term debt transactions during the year were as follows:

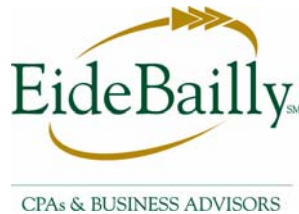
	Beginning Balance	Issued	Retired	Ending Balance
Certificates payable	\$ 111,153	\$ -	\$ -	\$ 111,153

The annual principal requirements to amortize all debt outstanding are as follows:

		Certificate of Indebtedness		
		Principal	Interest	Totals
2007		\$ 50,000	\$ 6,000	\$ 56,000
2008		61,000	2,000	63,000
Totals		<u>\$ 111,000</u>	<u>\$ 8,000</u>	<u>\$ 119,000</u>

CREDIT RIVER TOWNSHIP, MINNESOTA
FIDUCIARY FUND TYPE - ESCROW
CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED DECEMBER 31, 2006

	Balance January 1	Additions	Deductions	Balance December 31
ASSETS				
Cash and investments	\$ 307,267	\$ 483,352	\$ 520,224	\$ 270,395
TOTAL ASSETS	\$ 307,267	\$ 483,352	\$ 520,224	\$ 270,395
LIABILITIES				
Culvert deposits payable	\$ 89,762	\$ 37,200	\$ 73,112	\$ 53,850
NPDES escrow	165,976	170,850	198,322	138,504
Septic tank inspection fees	7,633	15,300	15,662	7,271
Developer escrows payable	43,896	260,002	233,128	70,770
TOTAL LIABILITIES	\$ 307,267	\$ 483,352	\$ 520,224	\$ 270,395



INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

The Honorable Chairman and Board of Supervisors
Credit River Township, Minnesota
Credit River, Minnesota

We have audited the financial statements of **Credit River Township, Minnesota** as of and for the year ended December 31, 2006, and have issued our report thereon dated March 7, 2007. 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* covers five categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness and claims and disbursements. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, **Credit River Township, Minnesota** complied with the material terms and conditions of applicable legal provisions.

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

Eide Bailly LLP

Minneapolis, Minnesota
March 7, 2007