

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

GOODHUE COUNTY
RED WING, MINNESOTA

YEAR ENDED DECEMBER 31, 2005

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Year Ended December 31, 2005



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

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**GOODHUE COUNTY
RED WING, MINNESOTA**

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**GOODHUE COUNTY
RED WING, MINNESOTA**

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**GOODHUE COUNTY
RED WING, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2005

			<u>Term Expires</u>
Elected			
Commissioners			
Chair	Ted Seifert	District 5	January 2009
Vice Chair	Richard Samuelson	District 2	January 2007
Board Member	Ronald Allen	District 1	January 2009
Board Member	Dan Rehtzigel	District 3	January 2009
Board Member	Jim Bryant	District 4	January 2007
Attorney	Steven Betcher		January 2007
Auditor/Treasurer	Amy Hove		Interim
County Sheriff	Dean Albers		January 2007
Appointed			
Administrator	David Hamilton		Indefinite
Co-Assessor	David Oien		Interim
Co-Assessor	Peggy Trebil		Interim
County Engineer	Greg Isakson		Indefinite
County Recorder	Lisa Hanni		Indefinite
Human Resources Director	Melissa Cushing		Indefinite
Human Services Director	Greg Schoener		Indefinite
Emergency Management Director	Gary Fried		Indefinite
Land Use Management Director	Lisa Hanni		Indefinite
Public Health Service Administrator	Karen Main		Indefinite
Veterans Service Officer	Robert Davis		March 2007

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OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Goodhue County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County, Minnesota, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Goodhue 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County as of December 31, 2005, 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 required supplementary information as listed in the table of contents and the Management's Discussion and Analysis 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 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 made for the purpose of forming opinions on the financial statements that collectively comprise Goodhue County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not required parts 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2006, on our consideration of the Goodhue County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**GOODHUE COUNTY
RED WING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005
(Unaudited)**

The Goodhue 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, 2005. 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 County's financial statements (beginning on page 16).

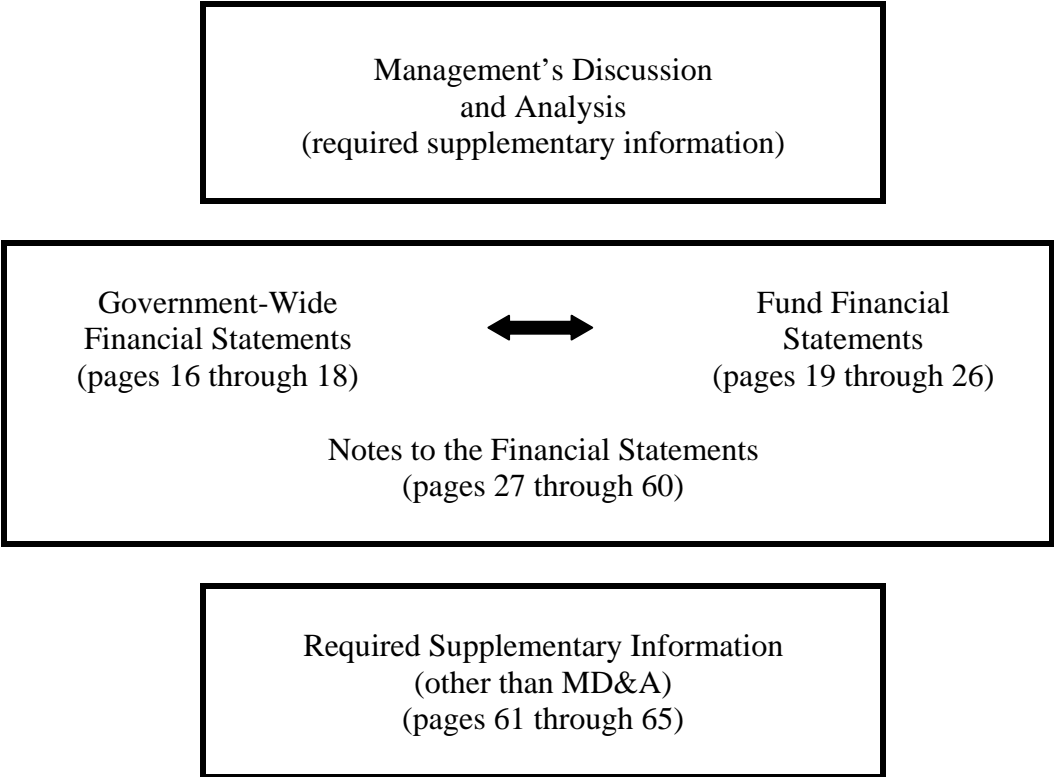
FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$127,430,402, of which \$99,878,185 is invested in capital assets, net of related debt, and \$1,670,116 is restricted to specific purposes (debt service, landfill postclosure, and pledged collateral).
- Goodhue County's governmental activities' net assets increased by \$6,811,441 for the year ended December 31, 2005. The net assets of the County's discretely presented component unit increased by \$442 (the Belle Creek Watershed).
- The net cost of governmental activities increased by \$2,307,113 to \$20,188,482 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$26,999,923.
- Governmental funds' fund balances increased by \$5,716,741. A large portion of this increase can be attributed to the Debt Service Fund. In December 2005, Goodhue County received \$3,446,313 in bond proceeds from a 2005 current refunding of its 1998A Jail Bonds. This money was subsequently used in February 2006 to pay off the original 1998A Jail Bonds. Another part of this increase is due to Goodhue County's five-year financial restoration plan for the General Fund. This plan, adopted in 2000, specified a \$700,000 annual levy to the General Fund balance to correct a pattern of historical negative, unreserved, undesignated balances within that fund.

- During the year, Goodhue County completed refundings of the 1996 Jail Bonds (January 2005) and the 1998 Jail Bonds (December 2005). These refundings resulted in significant savings for future debt obligations without extending the term of the debt, as indicated by the change in true interest rate:
 - 1996 Jail Bonds, true interest rate dropped from 4.9289 percent to 2.8521 percent, and
 - 1998 Jail Bonds, true interest rate dropped from 4.7061 percent to 3.710 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Goodhue County’s basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and 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. The following chart demonstrates how the different pieces are interrelated.



There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County’s finances. Fund financial statements

start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins with Exhibits 1 and 2. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by the 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 two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two kinds of activities:

- Governmental activities--Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- Component units--The County includes one separate legal entity in its report, the Belle Creek Watershed. Although legally separate, the "component unit" is important because the County is financially accountable for it.

Fund Financial Statements

Our analysis of the County's major funds begins with Exhibit 3. The fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- Governmental funds--Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method 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 County'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 County's programs. We show the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in Exhibits 4 and 6, which follow the County's governmental fund financial statements.
- Fiduciary funds--The County is the trustee, or fiduciary, over assets that can only be used for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in a Statement of Fiduciary Net Assets, Exhibit 7. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The County's combined net assets increased from \$120,618,916 (as restated) to \$127,430,402 from year-end 2004 to year-end 2005. Our following analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities.

Table 1
Net Assets

	Governmental Activities	
	2005	2004 (Restated)
Current and other assets	\$ 34,893,754	\$ 29,160,392
Capital assets	118,199,042	117,506,372
Total Assets	\$ 153,092,796	\$ 146,666,764
Long-term debt outstanding	\$ 23,185,643	\$ 23,127,258
Other liabilities	2,476,751	2,920,545
Total Liabilities	\$ 25,662,394	\$ 26,047,803
Net Assets		
Invested in capital assets, net of debt	\$ 99,878,185	\$ 101,123,809
Restricted	1,670,116	1,877,208
Unrestricted	25,882,101	17,617,944
Total Net Assets	\$ 127,430,402	\$ 120,618,961

Total net assets of County governmental activities increased by 5.65 percent. Unrestricted net assets--the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--increased from \$17,617,944 as of December 31, 2004, to \$25,882,101 at the end of 2005.

Table 2
Changes in Net Assets

	Governmental Activities	
	2005	2004 (Restated)
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 7,307,909	\$ 6,949,708
Operating grants and contributions	8,302,626	9,744,841
Capital grants and contributions	3,054,386	2,490,770
General revenues		
Property taxes	22,136,781	21,563,746
Other taxes	129,305	142,000
Grants and contributions	3,644,214	1,509,487
Other general revenues	1,089,623	605,075
Total Revenues	\$ 45,664,844	\$ 43,005,627
Program expenses		
General government	\$ 7,094,733	\$ 7,439,119
Public safety	9,317,444	9,138,241
Highways and streets	8,829,255	6,540,118
Sanitation	543,779	762,432
Human services	8,121,481	8,125,366
Health	3,146,556	3,059,038
Culture and recreation	506,944	562,307
Conservation of natural resources	680,695	442,795
Economic development	20,030	19,435
Interest	592,486	859,617
Total Program Expenses	\$ 38,853,403	\$ 36,948,468
Increase (Decrease) in Net Assets	\$ 6,811,441	\$ 6,057,159

The County's total revenues increased by 6.18 percent (\$2,659,217). The largest factor for this difference can be found in General Revenues - Grants and Contributions, which saw an increase of \$2,134,727 from 2004 to 2005. This increase was due to a statutory change in the county program aid formula for 2005 and will be reflected in subsequent years.

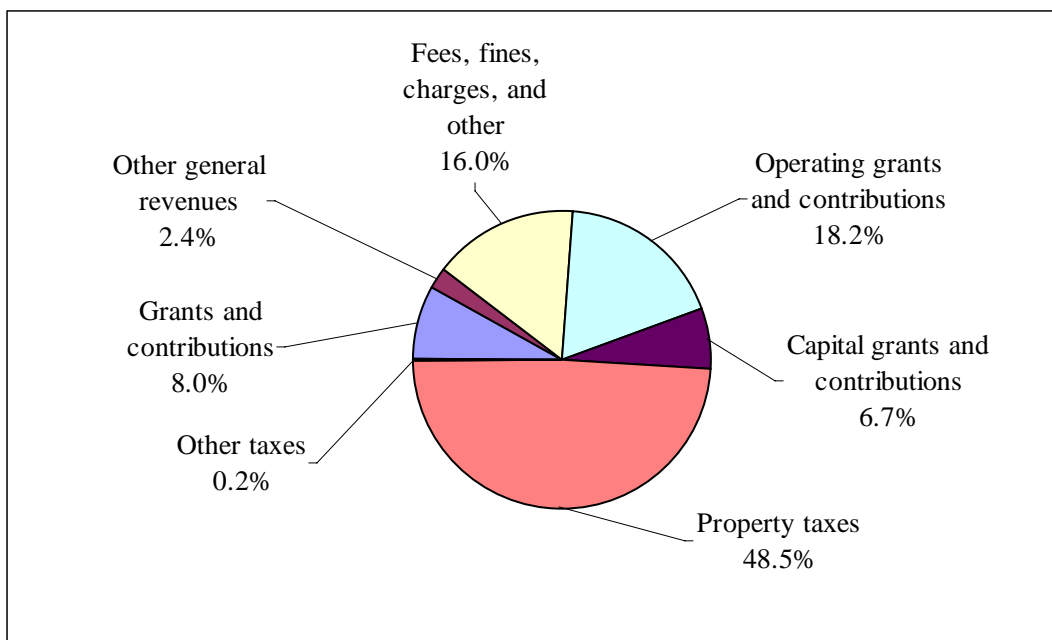
The total cost of all programs and services increased by \$1,904,935, or 5.16 percent, with no new programs or services added this year. Most of this County-wide increase can be found in highways and streets and is due to the completion of a number of road projects which were

funded in 2004 but completed in 2005. General government saw the greatest decline in spending, with \$344,386 in reductions from 2004 to 2005. Most of this was due to the transfer of Court Administration operations to the State of Minnesota in July 2004.

Governmental Activities

For 2005, total revenues for County governmental activities increased by 6.8 percent (\$2,659,217), while total expenses increased 5.16 percent (\$1,904,935). This activity resulted in an increase to the change in net assets from 2004 to 2005 (\$6,057,159 to \$6,811,441, respectively).

Revenues by Source - Governmental Activities



The cost of all governmental activities this year was \$38,853,403, compared to \$36,948,468 last year. However, as shown in the Statement of Activities, Exhibit 2, the amount that was financed for these activities through County general revenues was only \$20,188,482 because some of the cost was paid by those who directly benefited from the programs (\$7,307,909) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11,357,012). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for services, decreased in 2005 from \$19,185,319 to \$18,664,921, principally due to the reclassification of County program aid from operating grants and contributions to general revenues--grants and contributions not restricted to specific programs. The County paid for the remaining “public benefit” portion of governmental activities with \$26,999,923 in general revenues, compared to \$23,820,308 in 2004. General revenues, which are made up of primarily taxes (some of which could only be used for certain programs) also include other revenues, such as investment earnings and other general entitlements.

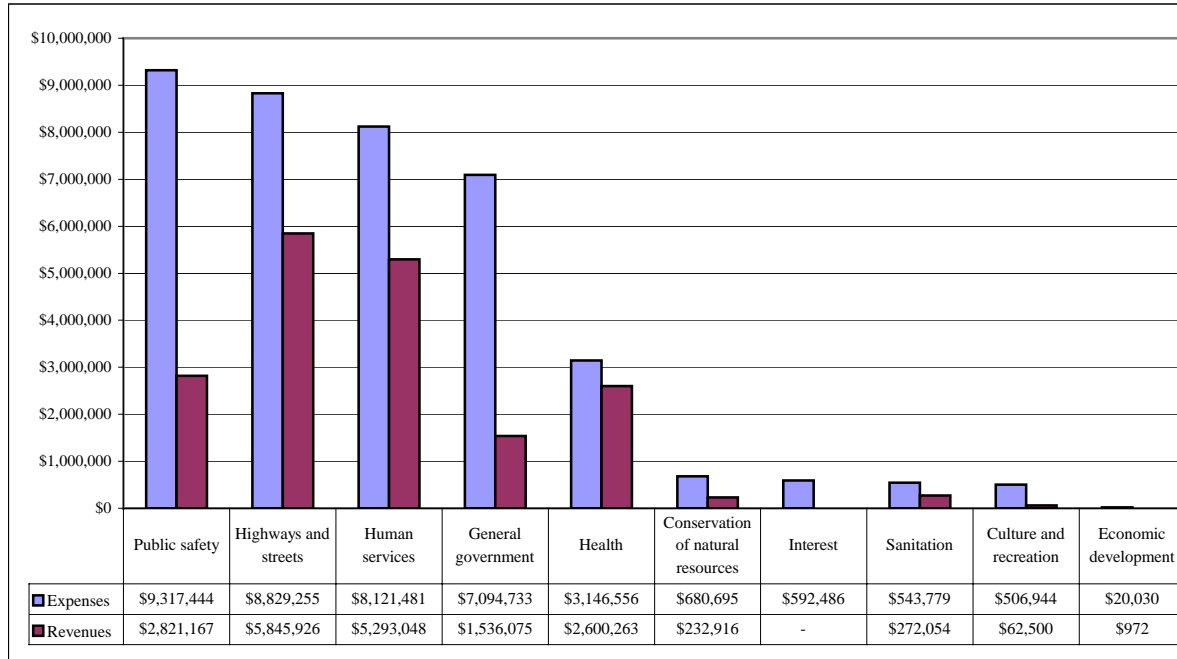
Table 3 presents the cost of each of the County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Public safety	\$ 9,317,444	\$ 9,138,241	\$ 6,496,277	\$ 6,445,089
Highways and streets	8,829,255	6,540,118	2,983,329	500,901
Human services	8,121,481	8,125,366	2,828,433	2,725,177
General government	7,094,733	7,439,119	5,558,658	5,504,269
Health	3,146,556	3,059,038	546,293	659,145
All others	2,343,934	2,646,586	1,775,492	1,928,568
Totals	\$ 38,853,403	\$ 36,948,468	\$ 20,188,482	\$ 17,763,149

The net cost of services increased by 14 percent in 2005, primarily due to the completion of outstanding road projects as well as grant reductions in Human Services.

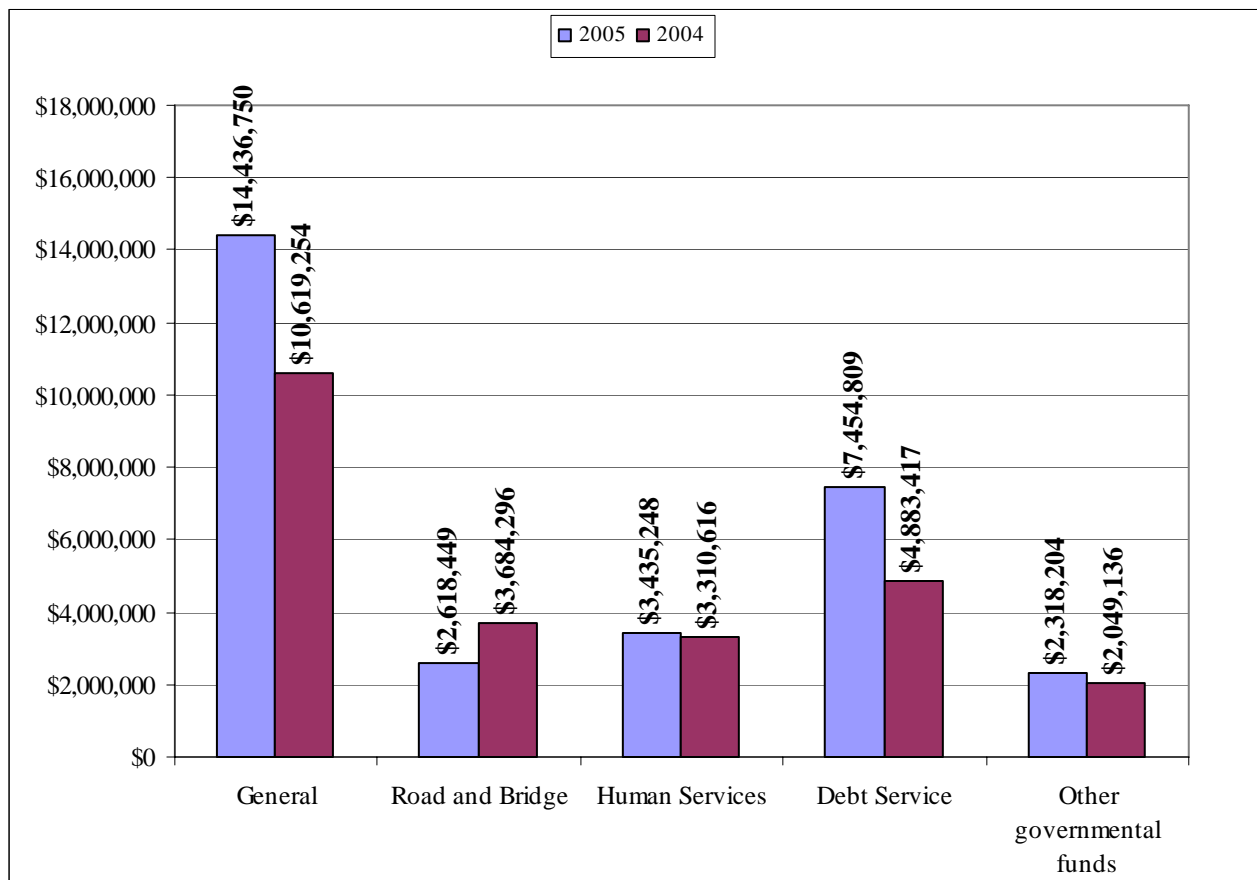
**Governmental Activities
Expenses and Program Revenues**



The County's Funds

As the County completed the year, its governmental funds (as presented in the balance sheet on Exhibit 3) reported a combined fund balance of \$30,263,460, which is a 23.3 percent increase over last year's total of \$24,546,719. The total net change in governmental funds was \$5,716,741. The General Fund's fund balance increased by \$3,817,496 in 2005. The largest contributor to this increase was the lack of spending in the capital plan. Capital expenditures, funded by County program aid, were restricted in the beginning of 2005. By the time these restrictions were lifted, it was too late to acquire some of the larger equipment included in the 2005 capital budget. This unutilized capital funding of approximately \$1,168,977 was subsequently carried over into the 2006 capital budget. Also, 2005 was the last of a five-year plan to rebuild General Fund balances, and the County dedicated \$700,000 of the levy to meet this goal. The Debt Service Fund balance increased by 53 percent, or \$2,571,392, from 2004 to 2005. This increase is due to the receipt of bond proceeds in December 2005, which were used in February 2006 to pay down existing debt. The Road and Bridge Special Revenue Fund balance decreased by \$1,065,847, a 29 percent reduction, primarily due to the completion of various road construction projects which used money carried over from prior years.

Governmental Fund Balances



General Fund Budgetary Highlights

During 2005, the County's General Fund expenditures were \$2,077,250 below the projected budget. Most of this was due to budgeted projects and capital expenditures not begun or completed during the year. Buildings and plant expenditures were at 71 percent of budget due to delayed capital projects. The same can be said for those variances in the Recorder's Office and data processing. In other general government, the \$700,000 levy to replenish the General Fund's fund balance is the reason behind its large variance.

Tax revenues for 2005 show a significant negative variance (\$986,729), whereas intergovernmental revenues show a significant positive variance (\$1,269,035). The yearly amount that a county levies and budgets for tax revenues from its citizens is actually reduced by the State of Minnesota under Minn. Stat. § 273.1384. This property tax reduction, otherwise known as Market Value Homestead Credit, is then returned to the county in the form of an aid payment from the State of Minnesota in October and December of each year. In 2005, Goodhue County received \$1,771,173 in Market Value Homestead Credit Aid. These revenues, when received, were recorded as intergovernmental revenue instead of tax revenue to which they were originally budgeted. In 2005, Goodhue County also saw a significant positive variance in interest on investment revenue. Due to the County's improved fund balances as well as higher than expected interest rates, revenues in this area showed a positive variance of \$544,573 for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, the County had \$118,199,042 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of \$692,670, or 0.6 percent, over last year.

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

	Governmental Activities	
	2005	2004
Land	\$ 7,530,858	\$ 7,498,518
Construction in progress	1,540,014	2,613,594
Buildings and improvements	26,669,658	26,780,787
Machinery, vehicles, furniture, and equipment	2,935,173	2,853,716
Infrastructure	79,523,339	77,759,757
Totals	<u>\$ 118,199,042</u>	<u>\$ 117,506,372</u>

The majority of differences from 2004 to 2005 are simply shifts due to the completion of road projects. In 2005, construction in progress decreased by \$1,073,580. Infrastructure increased by \$1,763,582, mostly due to those completed road construction projects along with other construction projects which began and were completed in 2005.

The County's fiscal year 2005 capital budget calls for it to spend \$2,705,709 for capital equipment, increased from \$925,659 in 2004. Road and bridge construction capital budget decreased from \$5,845,074 in 2004 to \$4,987,454 in 2005.

Debt

For the last two years, the County has actively pursued refinancing options for all applicable bond obligations. The intention of refinancing current and future debt obligations was to take advantage of lower interest rates in the market. The County was successful at refunding three debt obligations in 2004 and two debt obligations in 2005.

In 2004, Goodhue County issued \$4,905,000 in General Obligation Court Building Lease Revenue Refunding Bonds to replace the 1997A and 1998B Courts Building Lease Revenue Bonds. This advance refunding reduced future debt service payments by \$472,000 and resulted in a 2004 present value benefit of \$226,210.

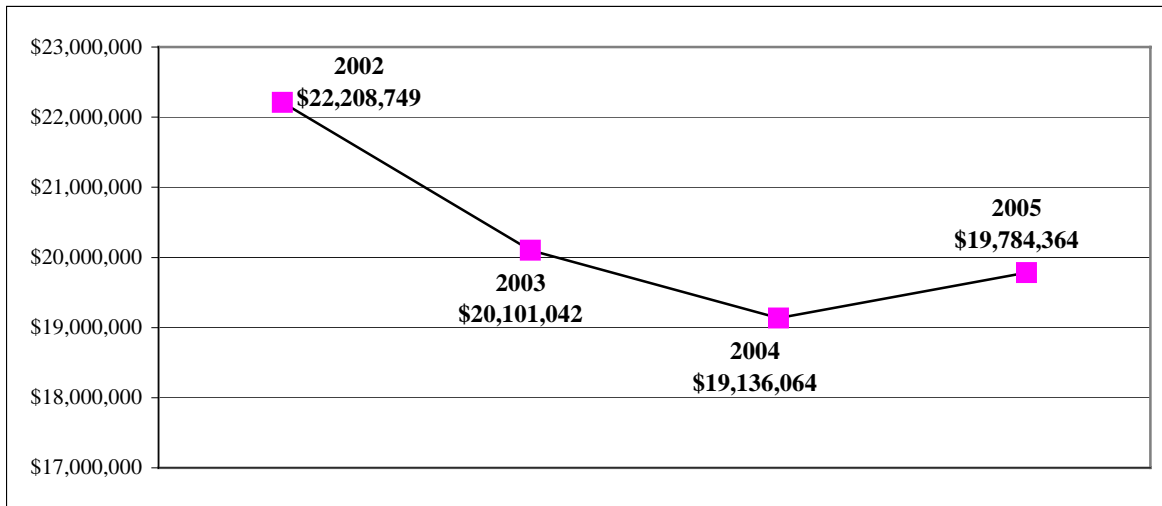
The County also issued \$1,235,000 in Landfill Closure Refunding Bonds in 2004 to replace the 1997A Landfill Closure Bonds. This crossover refunding, effective February 2005, reduced future debt service payments by \$65,460 and resulted in a 2004 present value benefit of \$58,662.

In 2005, Goodhue County issued \$5,670,000 in General Obligation Jail Refunding Bonds to replace the 1996A Jail Lease Revenue Bonds. This advance refunding reduced future debt service payments by \$242,510 and resulted in a 2005 present value benefit of \$218,857.

The County also issued \$3,460,000 in General Obligation Jail Refunding Bonds in 2005 to replace the 1998A Jail Lease Revenue Bonds. This current refunding, effective February 2006, reduced future debt service payments by \$182,865 and resulted in a 2005 present value benefit of \$84,843.

At year-end, the County had \$19,784,364 in bonds and notes outstanding, versus \$19,136,064 last year--an increase of 3.4 percent--as shown in Table 5. Since the \$3,460,000 in General Obligation Jail Refunding Bonds were issued in December 2005 and were not used until February 2006 to refund the 1998A Jail Lease Revenue Bonds, both bonds are carried at year-end 2005 as a long-term liability. If you exclude the 1998A Jail Lease Revenue Bonds from the year-end obligation, total general obligation bonds and notes payable would be \$16,034,364, which is equivalent to a 15 percent decrease from 2004. This savings will be reflected in the County's 2006 year-end general obligation bonds and notes payable.

**Table 5
General Obligation Bonds and Notes Payable**



Other long-term liabilities carried at year-end 2005 include: capital leases of \$21,874, landfill closure and postclosure care liability of \$622,408, and compensated absence liability (accrued vacation and sick leave payable) of \$3,025,779. More detailed information about the County's long-term liabilities is presented in Note 3.C. of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the 2006 budget, tax levy, and rates, as well as subsequent fees associated with the 2006 budget.

- In January 2005, the Goodhue County Board passed a resolution setting a zero percent levy increase for 2006. The tax levy for 2005 taxes payable was \$23,660,780; and on December 8, 2005, the County Board formally adopted \$23,660,780 as its levy for taxes payable 2006.
- Although the levy remained the same, the County's total 2006 budget for expenditures was increased by 8.4 percent. The majority of this increase can be found in highways and streets and is due to incomplete road projects which will be finished in 2006.
- The County also plans for almost four million dollars in additional revenues; although some of these revenues are the use of fund balance. The combination of larger fund balances and higher interest rates has given management more flexibility in the area of investments. The County has more than doubled interest projections for 2006, from \$300,000 in 2005 to \$620,000 for 2006. Another area where revenue performance continues to exceed projections is within the Sheriff's budget. Jail revenues are on the rise, and management has budgeted a 27 percent increase to boarding fees for 2006.

- State program aid certified for the 2006 budget is \$1,745,039. However, because of the ongoing budget crisis at the state level, the County is very concerned about an unallotment of aid--something that did affect the County in 2004. To guard against that possibility, the County continues to allocate this state program aid to fund its capital budget. Due to this strategy, departments will not be dependent on state program aid and will not need to adjust budgets mid-year if any unallotment would occur.
- Goodhue County's unemployment rate declined from an average unemployment rate in 2004 of 4.7 percent to an average unemployment rate of 4.3 percent at year-end 2005. This is slightly higher than the state's rate of 4.0 percent but under the national rate of 5.1 percent for 2005. Concerns remain over closings of some older industries in Red Wing.
- The County's tax base continues to grow; the tax base increased by 13 percent for payable 2006. This follows three solid years of increases to the County's tax base (tax capacity): 9.5 percent for payable 2005, 9.0 percent for payable 2004, and 8.4 percent for payable 2003.
- Combining a zero percent levy increase and steady increases to the County's tax base, the County's 2006 tax rate continues to decrease (from 55.288 for taxes payable in 2005 to 48.900 for taxes payable in 2006). The County net tax base increased by 9.0 percent (payable 2005), following increases of 8.5 percent and 8.0 percent in prior years.
- Refunding bonds were issued for the 1996A Jail Lease Revenue Bonds and the 1998A Jail Lease Revenue Bonds during 2005. At the end of 2005, all applicable long-term debt has been refinanced at significantly lower interest rates.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Goodhue County's finances. If you have any questions about this report or need additional information, please contact the Auditor/Treasurer's Office, Goodhue County Government Center, 509 West 5th Street, P. O. Box 408, Red Wing, Minnesota 55066.

BASIC FINANCIAL STATEMENTS

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FUND FINANCIAL STATEMENTS

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**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Primary Governmental Activities	Belle Creek Watershed Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 29,928,793	\$ 214,695
Petty cash and change funds	3,900	-
Departmental cash	10,031	-
Cash with escrow agent	491,064	-
Taxes receivable		
Prior - net	620,120	-
Accounts receivable - net	167,795	-
Accrued interest receivable	105,075	3,276
Loans receivable	74,282	-
Due from other governments	2,478,539	-
Due from primary government	-	3,459
Prepaid items	203,382	-
Inventories	368,446	-
Restricted assets		
Cash and pooled investments	192,097	-
Deferred charges	250,230	-
Capital assets		
Non-depreciable	9,070,872	378,550
Depreciable - net of accumulated depreciation	109,128,170	-
	\$ 153,092,796	\$ 599,980
<u>Liabilities</u>		
Accounts payable	\$ 910,864	\$ -
Salaries payable	562,131	-
Contracts payable	251,924	-
Due to other governments	292,747	-
Accrued interest payable	216,827	-
Unearned revenue	242,258	-
Long-term liabilities		
Due within one year	6,740,680	-
Due in more than one year	16,444,963	-
	\$ 25,662,394	\$ -
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 99,878,185	\$ 378,550
Restricted for		
Debt service	491,064	-
Landfill postclosure	192,097	-
Investments pledged as collateral	986,955	-
Unrestricted	25,882,101	221,430
	\$ 127,430,402	\$ 599,980

**GOODHUE COUNTY
RED WING, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary Government		
Governmental activities		
General government	\$ 7,094,733	\$ 1,426,789
Public safety	9,317,444	2,101,712
Highways and streets	8,829,255	48,284
Sanitation	543,779	272,054
Human services	8,121,481	1,258,054
Health	3,146,556	2,168,013
Culture and recreation	506,944	32,500
Conservation of natural resources	680,695	503
Economic development	20,030	-
Interest	592,486	-
	\$ 38,853,403	\$ 7,307,909
Total primary government		
 Component Unit		
Belle Creek Watershed	\$ 10,975	\$ -

General Revenues

Property taxes
Gravel taxes
Mortgage registry and deed tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Gain on sale of capital assets

Total general revenues

Change in net assets

Net Assets - Beginning (Restated - see Note 1.D.11.)

Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Belle Creek Watershed Discretely Presented Component Unit
\$ 89,662	\$ 19,624	\$ (5,558,658)	
719,455	-	(6,496,277)	
2,776,714	3,020,928	(2,983,329)	
-	-	(271,725)	
4,034,994	-	(2,828,433)	
432,250	-	(546,293)	
30,000	-	(444,444)	
218,579	13,834	(447,779)	
972	-	(19,058)	
-	-	(592,486)	
\$ 8,302,626	\$ 3,054,386	\$ (20,188,482)	
\$ -	\$ -		\$ (10,975)
		\$ 22,136,781	\$ 10,459
		67,474	-
		61,831	-
		120,999	-
		3,644,214	-
		868,675	958
		35,420	-
		64,529	-
		\$ 26,999,923	\$ 11,417
		\$ 6,811,441	\$ 442
		120,618,961	599,538
		\$ 127,430,402	\$ 599,980

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and pooled investments	\$ 14,475,914	\$ 2,608,383	\$ 3,820,104	\$ 6,949,609	\$ 2,074,783	\$ 29,928,793
Petty cash and change funds	1,100	50	450	-	2,300	3,900
Departmental cash	9,906	125	-	-	-	10,031
Cash with escrow agent	-	-	-	491,064	-	491,064
Taxes receivable						
Prior	329,087	80,552	78,445	100,849	31,187	620,120
Accounts receivable	3,795	15,249	14,110	-	134,641	167,795
Accrued interest receivable	105,075	-	-	-	-	105,075
Due from other funds	24,435	13,541	4,209	-	56,021	98,206
Due from other governments	415,987	1,296,036	684,222	-	82,294	2,478,539
Inventories	-	368,446	-	-	-	368,446
Loans receivable	74,282	-	-	-	-	74,282
Prepaid items	112,417	21,488	35,851	-	33,626	203,382
Restricted assets						
Cash and pooled investments	-	-	-	-	192,097	192,097
Total Assets	<u>\$ 15,551,998</u>	<u>\$ 4,403,870</u>	<u>\$ 4,637,391</u>	<u>\$ 7,541,522</u>	<u>\$ 2,606,949</u>	<u>\$ 34,741,730</u>
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 390,295	\$ 154,870	\$ 254,266	\$ 11,555	\$ 99,878	\$ 910,864
Salaries payable	302,240	54,949	102,040	-	102,902	562,131
Contracts payable	-	251,924	-	-	-	251,924
Due to other funds	37,691	4,837	50,368	-	5,310	98,206
Due to other governments	46,950	8,529	218,394	-	18,874	292,747
Deferred revenue - unavailable	338,072	1,310,312	334,817	75,158	61,781	2,120,140
Deferred revenue - unearned	-	-	242,258	-	-	242,258
Total Liabilities	<u>\$ 1,115,248</u>	<u>\$ 1,785,421</u>	<u>\$ 1,202,143</u>	<u>\$ 86,713</u>	<u>\$ 288,745</u>	<u>\$ 4,478,270</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities and Fund Balances</u>						
(Continued)						
Fund Balances						
Reserved for						
Encumbrances	\$ -	\$ 159,325	\$ -	\$ -	\$ -	\$ 159,325
Inventories	-	368,446	-	-	-	368,446
Sheriff's contingency	1,129	-	-	-	-	1,129
Debt service	-	-	-	491,064	-	491,064
Enhanced 911	119,940	-	-	-	-	119,940
Victim assistance	9,056	-	-	-	-	9,056
Gravel pit closure	37,243	-	-	-	-	37,243
Individual sewage treatment system	82,058	-	-	-	-	82,058
County Ditch #1	4,529	-	-	-	-	4,529
Prepaid items	112,417	21,488	35,851	-	33,626	203,382
Law library	98,423	-	-	-	-	98,423
Landfill closure	-	-	-	-	192,097	192,097
Recorder's compliance fund	74,711	-	-	-	-	74,711
Recorder's equipment purchases	96,851	-	-	-	-	96,851
Gun permit applications	7,549	-	-	-	-	7,549
Sheriff's forfeited property	2,883	-	-	-	-	2,883
Attorney's forfeited property	6,903	-	-	-	-	6,903
Veterans' transportation	2,255	-	-	-	-	2,255
Unclaimed funds	247	-	-	-	-	247
Counteract	7,976	-	-	-	-	7,976
Correction service fee	38,122	-	-	-	-	38,122
DUI penalty assessment	1,259	-	-	-	-	1,259
Local correctional fees	47,514	-	-	-	-	47,514
NPP funds	105,835	-	-	-	-	105,835
Juvenile accountability	617	-	-	-	-	617
Reality bites program	722	-	-	-	-	722
Community support program	-	-	1,229	-	-	1,229
Unreserved, designated in major funds (see Note 3.D.)	6,862,997	222,456	450	6,963,745	-	14,049,648
Unreserved, undesignated	6,715,514	1,846,734	3,397,718	-	-	11,959,966
Unreserved in nonmajor special revenue funds	-	-	-	-	2,092,481	2,092,481
Total Fund Balances	\$ 14,436,750	\$ 2,618,449	\$ 3,435,248	\$ 7,454,809	\$ 2,318,204	\$ 30,263,460
Total Liabilities and Fund Balances	\$ 15,551,998	\$ 4,403,870	\$ 4,637,391	\$ 7,541,522	\$ 2,606,949	\$ 34,741,730

**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005**

Fund balances - total governmental funds (Exhibit 3)	\$	30,263,460
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.		118,199,042
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,120,140
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	\$ (10,365,000)	
Revenue bonds	(8,508,293)	
Bond issuance premiums	(39,107)	
Deferred amounts on refunding	307,889	
Capital notes	(755,000)	
Notes payable	(156,071)	
Deferred debt issuance charges	250,230	
Capital leases	(21,874)	
Compensated absences	(3,025,779)	
Accrued interest payable	(216,827)	
Landfill postclosure care liability	(622,408)	
	(23,152,240)	(23,152,240)
Net assets of governmental activities (Exhibit 1)	\$	<u>127,430,402</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Road and Bridge	Human Services	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 12,572,541	\$ 2,852,880	\$ 2,814,389	\$ 2,802,528	\$ 1,194,321	\$ 22,236,659
Special assessments	3,074	-	-	10,760	-	13,834
Licenses and permits	17,700	8,105	-	-	542,070	567,875
Intergovernmental	4,134,287	5,294,687	4,233,121	4,524	718,495	14,385,114
Charges for services	2,874,723	12,043	782,142	-	1,969,230	5,638,138
Fines and forfeits	4,057	-	-	-	-	4,057
Gifts and contributions	10,063	-	-	-	1,182	11,245
Interest on investments	845,673	-	-	20,372	2,425	868,470
Miscellaneous	573,794	28,136	475,912	-	272,362	1,350,204
Total Revenues	\$ 21,035,912	\$ 8,195,851	\$ 8,305,564	\$ 2,838,184	\$ 4,700,085	\$ 45,075,596
Expenditures						
Current						
General government	\$ 6,853,903	\$ -	\$ -	\$ -	\$ 554,092	\$ 7,407,995
Public safety	8,937,401	-	-	-	-	8,937,401
Highways and streets	-	9,291,081	-	-	-	9,291,081
Sanitation	47,057	-	-	-	694,746	741,803
Human services	-	-	8,143,592	-	-	8,143,592
Health	-	-	-	-	3,153,642	3,153,642
Culture and recreation	472,112	34,832	-	-	-	506,944
Conservation of natural resources	679,807	-	-	-	-	679,807
Economic development	-	-	-	-	20,030	20,030
Debt service						
Principal	7,292	-	-	3,016,700	-	3,023,992
Interest	1,042	-	-	652,891	-	653,933
Bond issuance costs	-	-	-	144,614	-	144,614
Intergovernmental						
Highways and streets	-	290,780	-	-	-	290,780
Total Expenditures	\$ 16,998,614	\$ 9,616,693	\$ 8,143,592	\$ 3,814,205	\$ 4,422,510	\$ 42,995,614
Excess of Revenues Over (Under) Expenditures	\$ 4,037,298	\$ (1,420,842)	\$ 161,972	\$ (976,021)	\$ 277,575	\$ 2,079,982

**GOODHUE COUNTY
RED WING, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)						
Transfers in	\$ 96,564	\$ 330,000	\$ -	\$ -	\$ 30,032	\$ 456,596
Transfers out	(360,032)	(20,685)	(37,340)	-	(38,539)	(456,596)
Proceeds from capital lease	29,166	-	-	-	-	29,166
Proceeds from refunding bonds	-	-	-	9,130,000	-	9,130,000
Payment to refunded bond escrow	-	-	-	(5,593,071)	-	(5,593,071)
Premium on bonds issued	-	-	-	10,484	-	10,484
Proceeds from sale of capital assets	14,500	52,051	-	-	-	66,551
Total Other Financing Sources (Uses)	<u>\$ (219,802)</u>	<u>\$ 361,366</u>	<u>\$ (37,340)</u>	<u>\$ 3,547,413</u>	<u>\$ (8,507)</u>	<u>\$ 3,643,130</u>
Net Change to Fund Balances	<u>\$ 3,817,496</u>	<u>\$ (1,059,476)</u>	<u>\$ 124,632</u>	<u>\$ 2,571,392</u>	<u>\$ 269,068</u>	<u>\$ 5,723,112</u>
Fund Balances - January 1	<u>10,619,254</u>	<u>3,684,296</u>	<u>3,310,616</u>	<u>4,883,417</u>	<u>2,049,136</u>	<u>24,546,719</u>
Increase (decrease) in reserved for inventories	<u>-</u>	<u>(6,371)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,371)</u>
Fund Balances - December 31	<u>\$ 14,436,750</u>	<u>\$ 2,618,449</u>	<u>\$ 3,435,248</u>	<u>\$ 7,454,809</u>	<u>\$ 2,318,204</u>	<u>\$ 30,263,460</u>

**GOODHUE COUNTY
RED WING, 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, 2005**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 5,723,112

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

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

Deferred revenue - December 31	\$ 2,120,140	
Deferred revenue - January 1	(1,338,619)	781,521

Also, a prior period adjustment was made to report additional grant receivables, offset by deferred revenue		(118,220)
---	--	-----------

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also in the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 4,696,518	
Net book value of disposed assets	(104,340)	
Current year depreciation	(3,899,508)	692,670

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

The net proceeds for debt issuance are		
Bonds issued	\$ (9,130,000)	
Bond issuance costs	144,614	
Premium on bonds issued	(10,484)	
Capital lease	(29,166)	(9,025,036)

Principal repayments		
To refunded bond escrow	\$ 5,593,071	
Expenditures for principal retirement	3,016,700	
Capital lease retirement	7,292	8,617,063

**GOODHUE COUNTY
RED WING, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

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.

Amortization of deferred issuance costs	\$ (31,053)	
Amortization of deferred charges on refunding	(18,301)	
Amortization of bond premiums	3,578	
Change in accrued interest payable	110,801	
Change in landfill postclosure care liability	254,858	
Change in compensated absences	(173,181)	
Change in inventories	(6,371)	140,331
Change in net assets of governmental activities (Exhibit 2)		<u>\$ 6,811,441</u>

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FIDUCIARY FUNDS

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**GOODHUE COUNTY
RED WING, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005**

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	\$ 1,738,827
Due from other governments	<u>105,921</u>
Total Assets	<u>\$ 1,844,748</u>
<u>Liabilities</u>	
Due to component unit	\$ 3,459
Due to other governments	<u>1,841,289</u>
Total Liabilities	<u>\$ 1,844,748</u>

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**GOODHUE COUNTY
RED WING, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

1. Summary of Significant Accounting Policies

Goodhue County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2005. 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

Goodhue County was established March 5, 1853, 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 Goodhue County (primary government) and its blended and discretely presented component units. 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.

Blended Component Unit

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Goodhue County has one blended component unit.

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
Economic Development Authority (EDA)	County Commissioners are the members of the EDA Board.	Separate financial statements are not prepared.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

While part of the reporting entity, 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. Goodhue County has one discretely presented component unit.

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Belle Creek Watershed District	County appoints members to a three-member Board of Managers. The County also issues debt for the District.	Separate financial statements are not prepared.

Joint Ventures

The County participates in several joint ventures which are described in Note 5.C.

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 discretely presented component unit. 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.

The government-wide statement of net assets is presented on a consolidated basis and 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.

The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

**GOODHUE COUNTY
RED WING, 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 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 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 and blended component unit. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as a separate column 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.

**GOODHUE COUNTY
RED WING, 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 the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the County reports the following fund types:

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. Goodhue 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.

**GOODHUE COUNTY
RED WING, 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 Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2005, 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 2005 were \$845,673.

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

2. Receivables and Payables

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

All other outstanding balances between funds are reported as "due to/from other funds."

Advances 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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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

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

3. Inventories and Prepaid Items

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

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 (roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

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

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
Building improvements	20 - 50
Public domain infrastructure	25 - 75
Furniture, equipment, and vehicles	3 - 20

6. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide 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 not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Deferred Revenue (Continued)

that have been received, but not yet earned. At the end of the current year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 465,213	\$ -
Loans receivable	74,282	-
Receivables that do not provide current financial resources	1,580,645	-
Grant drawdowns prior to meeting all eligibility requirements	-	242,258
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 2,120,140	\$ 242,258

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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Fund Equity

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

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.

11. Adjustments and Reclassifications

Prior Period Adjustment

In 2004, operating grants and contributions in public safety were understated. A prior period adjustment was made to the net assets on the government-wide statements.

Restatement of net assets	
Net assets, as previously reported	\$ 120,500,741
2004 grant revenue	<u>118,220</u>
Net assets, as restated	<u>\$ 120,618,961</u>

Reclassification

In 2005, the County moved the activities of the Individual Sewage Treatment Systems (ISTS) Well Loan Program to the General Fund. Previously, these activities were reported in a separate special revenue fund.

**GOODHUE COUNTY
RED WING, 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, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable but not available are reported as deferred revenue and will be recognized as revenue in the fiscal year that they become available. Fines and penalties and property forfeitures are recognized in the period received.

Intergovernmental

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues

Intergovernmental (Continued)

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

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

Expenditures in Excess of Budget

The following is a summary of the individual funds which had expenditures in excess of budget for the year ended December 31, 2005.

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds			
Road and Bridge	\$ 8,322,197	\$ 9,616,693	\$ 1,294,496
Economic Development Authority	-	20,030	20,030
Debt Service Fund	3,023,373	3,814,205	790,832

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental Funds	
Cash and pooled investments	\$ 29,928,793
Petty cash and change funds	3,900
Cash with escrow agent	491,064
Restricted cash	192,097
Fiduciary Funds	
Agency funds	
Cash and pooled investments	1,738,827
Total Cash and Investments	\$ 32,354,681
Deposits	\$ 28,450,624
Petty cash and change funds	3,900
Investments	3,900,157
Total	\$ 32,354,681

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 standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the County deposits may not be returned to it. As of December 31, 2005, Goodhue County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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. The County minimizes its exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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.

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 in the possession of an

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Custodial Credit Risk (Continued)

outside party. The County has no policy concerning custodial credit risk. At December 31, 2005, all of the investments held in escrow agent accounts, totaling \$491,064, 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 does not have a policy on the concentration of credit risk.

The following table presents the County's investment balances at December 31, 2005, and information relating to potential investment risks:

Investment - Issuer	Credit Risk		Concentration Risk Percent	Interest Rate Risk		Fair Value
	Credit Rating	Rating Agency		Maturity Date		
Goodhue County Treasurer						
Mutual Funds						
MAGIC - Cash Management Funds	N/A	N/A	N/A	N/A		\$ 357,738
Wells Fargo Brokerage - Money Market Mutual Funds	N/A	N/A	N/A	N/A		<u>1,554,769</u>
Total Mutual Funds						<u>\$ 1,912,507</u>
Bonds						
Small Business Administration*						
Wells Fargo Brokerage			N/A	10/25/2023		\$ 183,969
Wells Fargo Brokerage			N/A	10/25/2021		53,898
Wells Fargo Brokerage			N/A	3/25/2022		208,858
Wells Fargo Brokerage			N/A	7/25/2024		328,343
Wells Fargo Brokerage			N/A	4/25/2024		<u>211,888</u>
Total Bonds						<u>\$ 986,956</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk Percent	Interest Rate Risk		Fair Value
	Credit Rating	Rating Agency		Maturity Date		
Goodhue County Treasurer (Continued)						
EE U.S. Savings Bonds	N/A	N/A	N/A	7/25/2010	\$ 4,025	
	N/A	N/A	N/A	1/28/2020	3,050	
	N/A	N/A	N/A	7/28/2021	525	
	N/A	N/A	N/A	10/25/2022	6,400	
	N/A	N/A	N/A	9/28/2022	275	
	N/A	N/A	N/A	9/16/2023	<u>15,000</u>	
Total EE U.S. Savings Bonds					<u>\$ 29,275</u>	
Negotiable Certificates of Deposit						
MAGIC						
FlagStar Bank	N/A	N/A	2.46%	5/15/2006	\$ 96,071	
New Southern Bank	N/A	N/A	2.46%	5/15/2006	96,071	
Security Pacific Bank	N/A	N/A	2.46%	5/15/2006	96,071	
Total Bank	N/A	N/A	2.46%	5/15/2006	96,071	
Two Rivers Bank and Trust	N/A	N/A	2.46%	5/15/2006	<u>96,071</u>	
Total Negotiable Certificates of Deposit					<u>\$ 480,355</u>	
Escrow Agent						
Mutual Funds						
US Bank - U.S. Treasury Money Market Fund	Aaa	Moody's	N/A	N/A	\$ 29	
US Bank - U.S. Treasury Money Market Fund	Aaa	Moody's	N/A	N/A	535	
US Bank - U.S. Treasury Money Market Fund	Aaa	Moody's	N/A	N/A	<u>490,500</u>	
Total Mutual Funds					<u>\$ 491,064</u>	
Total Investments					<u><u>\$ 3,900,157</u></u>	

*Small Business Administration Bonds are guaranteed by the U.S. government and are not rated.

At December 31, 2005, \$986,955 market value--\$2,952,518 original par value--of Goodhue County investments listed have been pledged as collateral to the bank issuing a letter of credit.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2005, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 620,120	\$ -
Due from other governments	2,478,539	-
Accounts	167,795	-
Interest	105,075	-
Loans receivable	74,282	74,282
Total Governmental Activities	\$ 3,445,811	\$ 74,282

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 7,498,518	\$ 32,340	\$ -	\$ 7,530,858
Construction in progress	2,613,594	1,540,014	2,613,594	1,540,014
Total capital assets not depreciated	\$ 10,112,112	\$ 1,572,354	\$ 2,613,594	\$ 9,070,872
Capital assets depreciated				
Buildings	\$ 35,087,292	\$ 738,220	\$ -	\$ 35,825,512
Machinery, furniture, and equipment	7,458,847	800,182	293,511	7,965,518
Infrastructure	121,993,300	4,199,356	614,671	125,577,985
Total capital assets depreciated	\$ 164,539,439	\$ 5,737,758	\$ 908,182	\$ 169,369,015
Less: accumulated depreciation for				
Buildings	\$ 8,306,505	\$ 849,349	\$ -	\$ 9,155,854
Machinery, furniture, and equipment	4,605,131	716,703	291,489	5,030,345
Infrastructure	44,233,543	2,333,456	512,353	46,054,646
Total accumulated depreciation	\$ 57,145,179	\$ 3,899,508	\$ 803,842	\$ 60,240,845
Total capital assets depreciated, net	\$ 107,394,260	\$ 1,838,250	\$ 104,340	\$ 109,128,170
Capital Assets, Net	\$ 117,506,372	\$ 3,410,604	\$ 2,717,934	\$ 118,199,042

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	840,458
Public safety		242,124
Conservation of natural resources		200
Highways and streets, including depreciation of infrastructure assets		2,697,444
Human services		39,605
Health		17,272
Sanitation		62,405
Total Depreciation Expense - Governmental Activities	\$	3,899,508

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

1. Due To/From Other Funds

Payable Fund	Receivable Fund	Amount
General	Road and Bridge Human Services Other governmental - Public Health	\$ 8,796 4,209 <u>24,686</u>
Total Due from General Fund		\$ 37,691
Road and Bridge	General	\$ 4,837
Human Services	General Other governmental - Public Health	\$ 19,033 <u>31,335</u>
Total Due to Human Services		\$ 50,368

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

Payable Fund	Receivable Fund	Amount
Other governmental funds		
Land Use Management	General	\$ 505
	Road and Bridge	417
Public Health	General	60
Waste Management	Road and Bridge	4,328
Total Due from Other Governmental Funds		\$ 5,310
Total Due To/From Other Funds		\$ 98,206

These balances reflect the interfund goods and services provided and not paid at year-end but expected to be paid in the subsequent year.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfers to Public Health Fund from the General Fund	\$ 30,032	Grant funding and capital expenditures
Transfers to General Fund from the Land Use Management Fund	11,271	Ordinance enforcement funding and health insurance charges
Transfers to General Fund from the Road and Bridge Fund	20,685	Health insurance charges
Transfers to General Fund from the Public Health Fund	24,016	Health insurance charges
Transfers to General Fund from the Human Services Fund	37,340	Health insurance charges
Transfers to Road and Bridge Fund from the General Fund	330,000	Capital expenditures
Transfers to General Fund from the Waste Management Fund	3,252	Health insurance charges
Total Interfund Transfers	\$ 456,596	

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2005, were as follows:

	Governmental Activities
Accounts	\$ 910,864
Salaries	562,131
Contracts	251,924
Due to other governments	292,747
Total Payables	\$ 2,017,666

2. Capital Leases

The County has entered into a lease agreement as lessee for financing the acquisition of a global positioning system. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date for the acquisition amount of \$29,166. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005, were as follows:

Year Ending December 31	Governmental Activities
2006	\$ 11,112
2007	11,112
2008	2,778
Total minimum lease payments	\$ 25,002
Less: amount representing interest	(3,127)
Present Value of Minimum Lease Payments	\$ 21,875

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2005</u>
General Obligation Bonds					
1997B G.O. Welch Village Revenue Bonds	2018	\$3,120 - \$8,095	1.58	\$ 143,750	\$ 93,293
1998A G.O. Jail Lease Revenue Bonds	2014	\$275,000 - \$495,000	4.125 - 4.70	5,845,000	3,750,000
1998, 2001, and 2003 G.O. Revenue Notes	2023	\$1,284 - \$7,804	0.00	175,670	156,071
2004A Courts Building Lease Revenue Refunding Bonds	2013	\$240,000 - \$660,000	2.00 - 3.80	4,905,000	4,665,000
2004A Landfill Closure Refunding Bonds	2013	\$140,000 - \$170,000	1.375 - 3.80	1,235,000	1,235,000
2005A Jail Refunding Bonds	2012	\$750,000 - \$880,000	2.10 - 3.10	5,670,000	5,670,000
2005B Jail Refunding Bonds	2014	\$20,000 - \$1,860,000	3.60 - 3.625	<u>3,460,000</u>	<u>3,460,000</u>
Total General Obligation Bonds				<u>\$ 21,434,420</u>	<u>\$ 19,029,364</u>
General Obligation Capital Notes					
2001C G.O. Capital Equipment Note	2006	\$225,000 - \$255,000	2.00 - 3.15	\$ 1,195,000	\$ 255,000
2002A G.O. Capital Equipment Note	2007	\$235,000 - \$255,000	2.00 - 2.75	<u>975,000</u>	<u>500,000</u>
Total General Obligation Capital Notes				<u>\$ 2,170,000</u>	<u>\$ 755,000</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2005, were as follows:

Year Ending December 31	General Obligation Refunding Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 890,000	\$ 166,034	\$ 4,266,807	\$ 238,701
2007	905,000	293,944	541,915	138,232
2008	965,000	252,951	562,024	121,078
2009	990,000	228,969	577,136	101,973
2010	1,015,000	202,805	597,249	81,560
2011 - 2015	5,600,000	506,637	1,943,007	112,033
2016 - 2018	-	-	20,155	480
Total	\$ 10,365,000	\$ 1,651,340	\$ 8,508,293	\$ 794,057

Year Ending December 31	General Obligation Capital Notes		General Obligation Revenue Notes	
	Principal	Interest	Principal	Interest
2006	\$ 500,000	\$ 18,108	\$ -	\$ -
2007	255,000	3,506	-	-
2008	-	-	-	-
2009	-	-	6,000	-
2010	-	-	6,000	-
2011 - 2015	-	-	63,294	-
2016 - 2020	-	-	66,035	-
2021 - 2023	-	-	14,742	-
Total	\$ 755,000	\$ 21,614	\$ 156,071	\$ -

5. Advance and Current Refunding

In 2005, the County issued \$5,670,000 General Obligation Jail Refunding Bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the \$5,465,000 Jail Lease Revenue Bonds, Series 1996A. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$128,071. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next seven years by \$242,510 and resulted in an economic gain of \$218,857.

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Advance and Current Refunding (Continued)

In addition, the County issued \$3,460,000 General Obligation Jail Refunding Bonds for a current refunding of \$3,750,000 Jail Lease Revenue Bonds, Series 1998A. This current refunding was undertaken to reduce total debt service payments over the next nine years by \$182,865 and resulted in an economic gain of \$84,843. The refunded bonds are to be retired in February 2006.

The County advance refunded Court Lease Revenue Bonds, Series 1997A and 1998B, in 2004. The defeased debt outstanding on December 31, 2005, is \$3,215,000 and \$1,410,000, respectively.

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Long-Term Liabilities					
Bonds and notes payable					
G.O. bonds	\$ 2,535,000	\$ 9,130,000	\$ 1,300,000	\$ 10,365,000	\$ 890,000
G.O. revenue bonds	15,204,993	-	6,696,700	8,508,293	4,266,807
G.O. capital notes	1,240,000	-	485,000	755,000	500,000
G.O. notes	156,071	-	-	156,071	-
Deferred amounts					
For issuance premiums	32,201	10,484	3,578	39,107	-
On refunding	(210,871)	(128,071)	(31,053)	(307,889)	-
Total bonds and notes payable	\$ 18,957,394	\$ 9,012,413	\$ 8,454,225	\$ 19,515,582	\$ 5,656,807
Capital leases	-	29,166	7,292	21,874	9,722
Claims and judgments	440,000	-	440,000	-	-
Closure and postclosure care	877,266	-	254,858	622,408	-
Compensated absences	2,852,598	1,789,295	1,616,114	3,025,779	1,074,151
Governmental Activities					
Long-Term Liabilities	<u>\$ 23,127,258</u>	<u>\$ 10,830,874</u>	<u>\$ 10,772,489</u>	<u>\$ 23,185,643</u>	<u>\$ 6,740,680</u>

7. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County

**GOODHUE COUNTY
RED WING, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Landfill Closure and Postclosure Care Costs (Continued)

officially closed the landfill on December 20, 1996. The \$622,408 landfill closure and postclosure care liability at December 31, 2005, is based on what it would cost to perform all closure and postclosure care in 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Not included in the above liability are \$823,738 of estimated contingency action costs which may be incurred.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2005, investments of \$192,097 are held for these purposes. These are reported as restricted assets on the balance sheet. Because the amount in trust is considerably smaller than the estimated postclosure care and contingency costs, the state has required Goodhue County to obtain a letter of credit for \$2,300,000 to ensure financing is available, if needed.

D. Fund Balance Designations

Fund balances of the major governmental funds were designated as follows at December 31, 2005.

Designation	General	Road and Bridge	Human Services	Debt Service
Petty cash and change	\$ 1,100	\$ 50	\$ 450	\$ -
Debt service	-	-	-	6,963,745
Cash flow	3,153,897	-	-	-
Inmate improvement	3,739	-	-	-
Ordinance enforcement	-	-	-	-
Buildings and grounds	21,005	73,881	-	-
Township turnbacks	-	50,000	-	-
TH 52 development	-	43,789	-	-
Employee training and development	33,485	-	-	-
Medical insurance	1,162,413	-	-	-
Compensated absences	466,480	-	-	-
Capital equipment	1,699,856	-	-	-
Extension ag program	12,159	-	-	-
Byllesby Dam	308,863	-	-	-
Reserve	-	-	-	-
Reserve compensation	-	-	-	-
Byllesby Park	-	54,736	-	-
Total	<u>\$ 6,862,997</u>	<u>\$ 222,456</u>	<u>\$ 450</u>	<u>\$ 6,963,745</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

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

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

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.50 percent. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

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

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

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
	<u> </u>	<u> </u>	<u> </u>
2005	\$ 622,889	\$ 188,753	\$ 167,800
2004	626,160	183,962	162,116
2003	592,149	179,183	139,439

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 specified 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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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.

The County's contributions for the years ending December 31, 2005, 2004, and 2003, were \$1,025, \$355, and \$0, respectively, equal to the contractually required contributions for each year as set by state statute.

5. Summary of Significant Contingencies and Other Items

A. 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 \$760,000 per claim in 2005. 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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A Risk Management (Continued)

The County established a limited risk management program for health coverage in 2002. Effective January 1, 2005, the County obtained health coverage through a health insurance provider and discontinued its self-insurance program.

Liabilities of the fund were reported when it was probable that a loss had occurred and the amount of the loss could be reasonably estimated. Liabilities included an amount for claims that had been incurred but not reported (IBNRs). The result of the process to estimate the claims liability was not an exact amount and depended on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims were re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The discontinuance of self-insurance has eliminated claim liabilities and resulted in an estimate adjustment. Changes in the balances of claims liabilities that occurred during the past two years are as follows:

	Year Ended December 31	
	2005	2004
Unpaid claims, beginning of fiscal year	\$ 440,000	\$ 270,000
Incurred claims (including IBNRs)	-	2,963,593
Claims payments	(440,000)	(2,793,593)
Unpaid Claims, End of Fiscal Year	\$ -	\$ 440,000

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.

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

C. Joint Ventures

Southeastern Minnesota Multi-County Housing and Redevelopment Authority

Goodhue and other regional counties have formed the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) for the purposes of providing housing and redevelopment services to Southeastern Minnesota counties. The governing body consists of an eight-member Board of Commissioners. Two commissioners were appointed by each of the County Boards. The HRA adopts its own budget. Complete financial statements for the HRA can be obtained at 134 East Second Street, Wabasha, Minnesota 55981.

Southeast Minnesota Water Resources Board

Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Wabasha, and Winona Counties have formed the Southeast Minnesota Water Resources Board. The purpose of this joint powers board is to receive and expend state and nonprofit grants and other related funds for the purpose of comprehensive water management planning. The governing body consists of 18 members. Two Commissioners were appointed from each of the participating County Boards. Olmsted County acts as the fiscal agent. Complete financial statements for the Water Resources Board can be obtained at P. O. Box 5838, Winona, Minnesota 55987.

Goodhue County Family Services Collaborative

The Goodhue County Family Services Collaborative was established June 24, 1999, under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Goodhue County Social Services, Goodhue County Court Services, Goodhue County Public Health, Goodhue County Mental Health, Goodhue County Education District, Cannon Falls School District, and Three Rivers Community Action Council. 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 Goodhue County Family Services Collaborative is vested in a seven-member governing board appointed by the member parties.

**GOODHUE COUNTY
RED WING, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Goodhue County Family Services Collaborative (Continued)

Financing is provided by state and federal grants and contributions from its member parties. Goodhue County, in an agent capacity, reports the cash transactions of the Goodhue County Family Services Collaborative as an agency fund in its financial statements.

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. The agreement was in accordance with Section 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the nine participating member counties' health care functions. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the above-listed member counties.

While the SCHA was created on July 2, 1998, it did not begin providing health maintenance services until November 1, 2001. At that time, the SCHA began coverage of the beneficiaries enrolled under Medicaid and General Assistance Medical Care in the specified counties. Funding is provided from the State of Minnesota based on eligible participants within the member counties. Goodhue County's contribution for start-up costs through October 31, 2001, was \$149,353.

In the event the SCHA incurs operating deficits, the member counties would maintain the SCHA's reserves to meet statutory and regulatory reserve requirements. Minnesota statutes require the SCHA to maintain capital surplus equal to or greater than one month's expenditures, but less than three months' expenditures.

Complete financial statements for the SCHA can be obtained from its fiscal agent at 630 Florence Avenue, P. O. Box 890, Owatonna, Minnesota 55060-0890.

**GOODHUE COUNTY
RED WING, MINNESOTA**

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

D. Debt Obligation Contingency

The Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) issued \$300,500 General Obligation Tax Increment Bonds, Series 1996, on October 15, 1996. The purpose of the issuance was to provide funds to acquire land for future development of housing in accordance with Minn. Stat. § 469.178, subd. 2, for the HRA. The principal and interest on the bonds are payable primarily from revenues from the sale of such land, investment earnings on the bonds, and tax increments resulting from increases in valuation of real property in Tax Increment Financing District 1-1. In the event of a deficiency, the HRA has pledged to levy its special benefit tax, up to \$10,000 per year; the City of Goodhue, Minnesota, has pledged its full faith and credit up to \$10,000 per year. Should these other taxing authorities fail to provide sufficient revenue for payment of principal and interest on the debt issue, the full faith and credit of Goodhue County is irrevocably pledged for payment of the bond.

County-Wide Individual Sewage Treatment Systems (ISTS) and Well Loan Program

The County entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to finance the ISTS. While the County is not liable for repayment of the loans in any manner, it does have certain responsibilities under the agreement.

Loan activity for 2005 and prior years is:

	<u>Prior Years</u>	<u>During 2005</u>
Number of loans made	23	4
Loans outstanding - January 1	\$ -	\$ 40,768
Loans made	173,317	47,057
Payments made on loans	<u>(132,549)</u>	<u>(13,543)</u>
Loans outstanding - December 31	<u>\$ 40,768</u>	<u>\$ 74,282</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

6. Belle Creek Watershed Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entity

The Belle Creek Watershed District is governed by a three-member Board of Managers who are appointed by the County Board.

Because of the significance of their financial relationship, Goodhue County considers this entity a major component unit.

Basis of Presentation

The District does not prepare separate financial statements. The District presents its one fund as a governmental fund.

Basis of Accounting

The District's General Fund is accounted for on the modified accrual basis of accounting.

B. Detailed Notes

Deposits

Reconciliation of the District's total deposits and cash on hand to the basic financial statements follows:

General Fund	
Cash and pooled investments	\$ <u>214,695</u>
Deposits	\$ <u>214,695</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

6. Belle Creek Watershed Disclosures

B. Detailed Notes

Deposits (Continued)

Minn. Stat. §§ 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all district 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 standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the district deposits may not be returned to it. As of December 31, 2005, the District's deposits were not exposed to custodial credit risk.

Capital Assets

The District's capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 378,550	\$ -	\$ -	\$ 378,550

REQUIRED SUPPLEMENTARY INFORMATION

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 13,566,367	\$ 13,559,270	\$ 12,572,541	\$ (986,729)
Special assessments	-	-	3,074	3,074
Licenses and permits	12,360	12,360	17,700	5,340
Intergovernmental	2,694,252	2,865,252	4,134,287	1,269,035
Charges for services	2,560,297	2,560,297	2,874,723	314,426
Fines and forfeits	15,200	15,200	4,057	(11,143)
Gifts and contributions	32,700	7,700	10,063	2,363
Interest on investments	301,100	301,100	845,673	544,573
Miscellaneous	510,087	510,087	573,794	63,707
Total Revenues	\$ 19,692,363	\$ 19,831,266	\$ 21,035,912	\$ 1,204,646
Expenditures				
Current				
General government				
Commissioners	\$ 220,407	\$ 220,407	\$ 176,364	\$ 44,043
Courts	73,500	73,500	141,171	(67,671)
County administration	245,915	245,915	228,032	17,883
County auditor	434,916	434,916	388,753	46,163
County assessor	620,707	620,707	589,673	31,034
Elections	12,950	12,950	4,705	8,245
Data processing	958,958	958,958	701,958	257,000
Personnel	217,963	217,963	206,580	11,383
Attorney	1,129,548	1,129,548	1,086,926	42,622
Law library	83,220	83,220	74,398	8,822
Recorder	296,878	396,878	282,709	114,169
Surveyor	424,185	424,185	395,303	28,882
GIS	100,742	100,742	93,280	7,462
Buildings and plant	1,406,459	1,406,459	1,003,669	402,790
Veterans service officer	152,702	152,702	155,845	(3,143)
Other general government	2,342,350	1,891,352	1,324,537	566,815
Total general government	\$ 8,721,400	\$ 8,370,402	\$ 6,853,903	\$ 1,516,499
Public safety				
Sheriff	\$ 3,645,702	\$ 3,635,032	\$ 3,171,026	\$ 464,006
Boat and water safety	215,944	215,944	164,571	51,373
E-911 system	648,384	673,384	602,780	70,604
Emergency services	204,345	180,345	328,384	(148,039)
Coroner	70,139	70,139	69,532	607
Law enforcement center	3,722,423	3,767,423	3,713,862	53,561
Court services	893,622	894,501	832,561	61,940
Family court services	50,739	50,739	54,685	(3,946)
Total public safety	\$ 9,451,298	\$ 9,487,507	\$ 8,937,401	\$ 550,106

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Sanitation				
Individual septic treatment systems	\$ -	\$ -	\$ 47,057	\$ (47,057)
Culture and recreation				
Historical society	\$ 100,766	\$ 100,766	\$ 100,766	\$ -
Regional library	302,250	302,250	302,250	-
Byllesby Dam	30,000	30,000	38,323	(8,323)
Other	29,542	29,542	30,773	(1,231)
Total culture and recreation	\$ 462,558	\$ 462,558	\$ 472,112	\$ (9,554)
Conservation of natural resources				
County extension	\$ 175,187	\$ 146,261	\$ 122,351	\$ 23,910
Soil and water conservation	289,339	573,735	522,055	51,680
Fairs	35,401	35,401	35,401	-
Total conservation of natural resources	\$ 499,927	\$ 755,397	\$ 679,807	\$ 75,590
Debt service				
Principal	\$ -	\$ -	\$ 7,292	\$ (7,292)
Interest	-	-	1,042	(1,042)
Total debt service	\$ -	\$ -	\$ 8,334	\$ (8,334)
Total Expenditures	\$ 19,135,183	\$ 19,075,864	\$ 16,998,614	\$ 2,077,250
Excess of Revenues Over (Under) Expenditures	\$ 557,180	\$ 755,402	\$ 4,037,298	\$ 3,281,896
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 96,564	\$ 96,564
Transfers out	605,900	605,900	(360,032)	(965,932)
Capital lease issued	-	-	29,166	29,166
Proceeds from sale of capital assets	-	-	14,500	14,500
Total Other Financing Sources (Uses)	\$ 605,900	\$ 605,900	\$ (219,802)	\$ (825,702)
Net Change in Fund Balance	\$ 1,163,080	\$ 1,361,302	\$ 3,817,496	\$ 2,456,194
Fund Balance - January 1	10,619,254	10,619,254	10,619,254	-
Fund Balance - December 31	\$ 11,782,334	\$ 11,980,556	\$ 14,436,750	\$ 2,456,194

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,063,398	\$ 3,063,398	\$ 2,852,880	\$ (210,518)
Licenses and permits	5,700	5,700	8,105	2,405
Intergovernmental	3,635,120	3,635,120	5,294,687	1,659,567
Charges for services	10,600	10,600	12,043	1,443
Miscellaneous	26,940	26,940	28,136	1,196
Total Revenues	\$ 6,741,758	\$ 6,741,758	\$ 8,195,851	\$ 1,454,093
Expenditures				
Current				
Highways and streets				
Administration	\$ 437,622	\$ 437,622	\$ 344,801	\$ 92,821
Maintenance	1,918,526	1,918,526	1,884,497	34,029
Construction	4,987,454	4,987,454	6,103,121	(1,115,667)
Equipment maintenance and shop	917,295	917,295	958,662	(41,367)
Total highways and streets	\$ 8,260,897	\$ 8,260,897	\$ 9,291,081	\$ (1,030,184)
Culture and recreation				
Parks	61,300	61,300	34,832	26,468
Intergovernmental				
Highways and streets	-	-	290,780	(290,780)
Total Expenditures	\$ 8,322,197	\$ 8,322,197	\$ 9,616,693	\$ (1,294,496)
Excess of Revenues Over (Under) Expenditures	\$ (1,580,439)	\$ (1,580,439)	\$ (1,420,842)	\$ 159,597
Other Financing Sources (Uses)				
Transfers in	\$ 440,000	\$ 440,000	\$ 330,000	\$ (110,000)
Transfers out	-	-	(20,685)	(20,685)
Proceeds from sale of assets	-	-	52,051	52,051
Total Other Financing Sources (Uses)	\$ 440,000	\$ 440,000	\$ 361,366	\$ (78,634)
Net Change in Fund Balance	\$ (1,140,439)	\$ (1,140,439)	\$ (1,059,476)	\$ 80,963
Fund Balance - January 1	3,684,296	3,684,296	3,684,296	-
Increase (decrease) in reserved for inventories	-	-	(6,371)	(6,371)
Fund Balance - December 31	\$ 2,543,857	\$ 2,543,857	\$ 2,618,449	\$ 74,592

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,039,211	\$ 3,039,211	\$ 2,814,389	\$ (224,822)
Intergovernmental	4,025,467	4,025,467	4,233,121	207,654
Charges for services	767,960	767,960	782,142	14,182
Gifts and contributions	20,000	20,000	-	(20,000)
Miscellaneous	398,075	398,075	475,912	77,837
Total Revenues	\$ 8,250,713	\$ 8,250,713	\$ 8,305,564	\$ 54,851
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,107,005	\$ 2,107,005	\$ 1,993,645	\$ 113,360
Social services	6,143,708	6,143,708	6,149,947	(6,239)
Total Expenditures	\$ 8,250,713	\$ 8,250,713	\$ 8,143,592	\$ 107,121
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 161,972	\$ 161,972
Other Financing Sources (Uses)				
Transfers out	-	-	(37,340)	(37,340)
Net Change in Fund Balance	\$ -	\$ -	\$ 124,632	\$ 124,632
Fund Balance - January 1	3,310,616	3,310,616	3,310,616	-
Fund Balance - December 31	\$ 3,310,616	\$ 3,310,616	\$ 3,435,248	\$ 124,632

**GOODHUE COUNTY
RED WING, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and major special revenue funds. All annual appropriations lapse at fiscal year-end.

On or before mid-July of each year, all departments and agencies submit requests for appropriations to the County Administrator so that a budget can be prepared. On or before September 30, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. Revisions that alter the budgeted revenues or expenditures of any fund must be approved by the Board of Commissioners. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, supplemental budgetary appropriations were not considered significant.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2005, expenditures exceeded appropriations (the legal level of budgetary control) in the Road and Bridge Special Revenue Fund by \$1,294,496. These excess expenditures were funded by greater than anticipated revenues.

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SUPPLEMENTARY INFORMATION

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MAJOR FUND

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,010,373	\$ 3,010,373	\$ 2,802,528	\$ (207,845)
Special assessments	13,000	13,000	10,760	(2,240)
Intergovernmental	-	-	4,524	4,524
Interest on investments	-	-	20,372	20,372
Total Revenues	\$ 3,023,373	\$ 3,023,373	\$ 2,838,184	\$ (185,189)
Expenditures				
Debt service				
Principal	\$ 2,026,701	\$ 2,026,701	\$ 3,016,700	\$ (989,999)
Interest	996,672	996,672	652,891	343,781
Bond issuance costs	-	-	144,614	(144,614)
Total Expenditures	\$ 3,023,373	\$ 3,023,373	\$ 3,814,205	\$ (790,832)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (976,021)	\$ (976,021)
Other Financing Sources (Uses)				
Proceeds from refunding bonds	\$ -	\$ -	\$ 9,130,000	\$ 9,130,000
Payment to refunded bond escrow agent	-	-	(5,593,071)	(5,593,071)
Premium on bonds issued	-	-	10,484	10,484
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 3,547,413	\$ 3,547,413
Net Change in Fund Balance	\$ -	\$ -	\$ 2,571,392	\$ 2,571,392
Fund Balance - January 1	4,883,417	4,883,417	4,883,417	-
Fund Balance - December 31	\$ 4,883,417	\$ 4,883,417	\$ 7,454,809	\$ 2,571,392

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**GOODHUE COUNTY
RED WING, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Economic Development Authority - to account for the financial activities of the Goodhue County Economic Development Authority.

Land Use Management - to account for financial activities of planning and zoning and solid waste management.

Public Health - to account for the financial activities of the Public Health Department.

Waste Management - to account for the financial activities of the waste management facility, the recycling center, and the household hazardous waste facility.

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2005**

	Economic Development Authority	Land Use Management	Public Health	Waste Management	Total
<u>Assets</u>					
Cash and pooled investments	\$ 81,870	\$ 671,187	\$ 831,801	\$ 489,925	\$ 2,074,783
Petty cash and change funds	-	-	2,300	-	2,300
Taxes receivable					
Prior	-	7,491	17,540	6,156	31,187
Accounts receivable	-	-	121,561	13,080	134,641
Due from other funds	-	-	56,021	-	56,021
Due from other governments	-	-	82,127	167	82,294
Prepaid items	-	3,614	26,893	3,119	33,626
Restricted assets					
Cash and pooled investments	-	-	-	192,097	192,097
Total Assets	<u>\$ 81,870</u>	<u>\$ 682,292</u>	<u>\$ 1,138,243</u>	<u>\$ 704,544</u>	<u>\$ 2,606,949</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 23,130	\$ 44,212	\$ 32,536	\$ 99,878
Salaries payable	-	12,454	81,510	8,938	102,902
Due to other funds	-	922	60	4,328	5,310
Due to other governments	-	1,700	14,317	2,857	18,874
Deferred revenue - unavailable	-	5,702	51,811	4,268	61,781
Total Liabilities	<u>\$ -</u>	<u>\$ 43,908</u>	<u>\$ 191,910</u>	<u>\$ 52,927</u>	<u>\$ 288,745</u>
Fund Balances					
Reserved for prepaid items	\$ -	\$ 3,614	\$ 26,893	\$ 3,119	\$ 33,626
Reserved for landfill closure	-	-	-	192,097	192,097
Unreserved					
Designated for petty cash	-	-	2,300	-	2,300
Designated for landfill cell closure	-	-	-	36,396	36,396
Designated for gas vent project	-	-	-	12,817	12,817
Undesignated	81,870	634,770	917,140	407,188	2,040,968
Total Fund Balances	<u>\$ 81,870</u>	<u>\$ 638,384</u>	<u>\$ 946,333</u>	<u>\$ 651,617</u>	<u>\$ 2,318,204</u>
Total Liabilities and Fund Balances	<u>\$ 81,870</u>	<u>\$ 682,292</u>	<u>\$ 1,138,243</u>	<u>\$ 704,544</u>	<u>\$ 2,606,949</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Economic Development Authority	Land Use Management	Public Health	Waste Management	Total
Revenues					
Taxes	\$ 5,000	\$ 250,805	\$ 654,620	\$ 283,896	\$ 1,194,321
Licenses and permits	-	329,538	206,002	6,530	542,070
Intergovernmental	-	25,393	556,961	136,141	718,495
Charges for services	-	9,617	1,866,086	93,527	1,969,230
Gifts and contributions	-	-	1,182	-	1,182
Interest on investments	972	-	-	1,453	2,425
Miscellaneous	5,878	15	95,925	170,544	272,362
Total Revenues	\$ 11,850	\$ 615,368	\$ 3,380,776	\$ 692,091	\$ 4,700,085
Expenditures					
Current					
General government	\$ -	\$ 554,092	\$ -	\$ -	\$ 554,092
Sanitation	-	-	-	694,746	694,746
Health	-	-	3,153,642	-	3,153,642
Economic development	20,030	-	-	-	20,030
Total Expenditures	\$ 20,030	\$ 554,092	\$ 3,153,642	\$ 694,746	\$ 4,422,510
Excess of Revenues Over (Under) Expenditures	\$ (8,180)	\$ 61,276	\$ 227,134	\$ (2,655)	\$ 277,575
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ 30,032	\$ -	\$ 30,032
Transfers out	-	(11,271)	(24,016)	(3,252)	(38,539)
Total Other Financing Sources (Uses)	\$ -	\$ (11,271)	\$ 6,016	\$ (3,252)	\$ (8,507)
Net Change in Fund Balance	\$ (8,180)	\$ 50,005	\$ 233,150	\$ (5,907)	\$ 269,068
Fund Balance - January 1	90,050	588,379	713,183	657,524	2,049,136
Fund Balance - December 31	\$ 81,870	\$ 638,384	\$ 946,333	\$ 651,617	\$ 2,318,204

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Interest on investments	-	-	972	972
Miscellaneous	-	-	5,878	5,878
Total Revenues	\$ 5,000	\$ 5,000	\$ 11,850	\$ 6,850
Expenditures				
Current				
Economic development				
Community development	-	-	20,030	(20,030)
Excess of Revenues Over (Under)				
Expenditures	\$ 5,000	\$ 5,000	\$ (8,180)	\$ (13,180)
Fund Balance - January 1	90,050	90,050	90,050	-
Fund Balance - December 31	\$ 95,050	\$ 95,050	\$ 81,870	\$ (13,180)

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
LAND USE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 270,482	\$ 270,482	\$ 250,805	\$ (19,677)
Licenses and permits	325,900	325,900	329,538	3,638
Intergovernmental	-	-	25,393	25,393
Charges for services	8,000	8,000	9,617	1,617
Miscellaneous	100	100	15	(85)
Total Revenues	\$ 604,482	\$ 604,482	\$ 615,368	\$ 10,886
Expenditures				
Current				
General government				
Planning and zoning	604,482	631,082	554,092	76,990
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ (26,600)	\$ 61,276	\$ 87,876
Other Financing Sources (Uses)				
Transfers out	-	-	(11,271)	(11,271)
Net Change in Fund Balance	\$ -	\$ (26,600)	\$ 50,005	\$ 76,605
Fund Balance - January 1	588,379	588,379	588,379	-
Fund Balance - December 31	\$ 588,379	\$ 561,779	\$ 638,384	\$ 76,605

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 707,177	\$ 714,274	\$ 654,620	\$ (59,654)
Licenses and permits	281,275	262,555	206,002	(56,553)
Intergovernmental	481,615	494,044	556,961	62,917
Charges for services	1,677,876	1,712,401	1,866,086	153,685
Gifts and contributions	-	1,000	1,182	182
Miscellaneous	-	60,000	95,925	35,925
Total Revenues	\$ 3,147,943	\$ 3,244,274	\$ 3,380,776	\$ 136,502
Expenditures				
Current				
Health				
Nursing service	\$ 1,372,823	\$ 1,382,766	\$ 1,247,857	\$ 134,909
Transportation	37,579	39,358	49,904	(10,546)
Maternal and child health	104,768	104,918	143,113	(38,195)
Health center	1,632,773	1,765,031	1,712,768	52,263
Total Expenditures	\$ 3,147,943	\$ 3,292,073	\$ 3,153,642	\$ 138,431
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (47,799)	\$ 227,134	\$ 274,933
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 21,400	\$ 30,032	\$ (8,632)
Transfers out	-	-	(24,016)	(24,016)
Total Other Financing Sources (Uses)	\$ -	\$ 21,400	\$ 6,016	\$ (32,648)
Net Change in Fund Balance	\$ -	\$ (26,399)	\$ 233,150	\$ 242,285
Fund Balance - January 1	713,183	713,183	713,183	-
Fund Balance - December 31	\$ 713,183	\$ 686,784	\$ 946,333	\$ 242,285

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
WASTE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 307,272	\$ 307,272	\$ 283,896	\$ (23,376)
Licenses and permits	6,000	6,000	6,530	530
Intergovernmental	100,000	100,000	136,141	36,141
Charges for services	61,000	61,000	93,527	32,527
Interest on investments	2,800	2,800	1,453	(1,347)
Miscellaneous	127,000	127,000	170,544	43,544
Total Revenues	\$ 604,072	\$ 604,072	\$ 692,091	\$ 88,019
Expenditures				
Current				
Sanitation				
Solid waste	\$ 59,830	\$ 59,830	\$ 58,052	\$ 1,778
Recycling	490,082	490,082	311,410	178,672
Hazardous waste	101,360	101,360	88,132	13,228
Landfill	263,300	263,300	237,152	26,148
Total Expenditures	\$ 914,572	\$ 914,572	\$ 694,746	\$ 219,826
Excess of Revenues Over (Under) Expenditures	\$ (310,500)	\$ (310,500)	\$ (2,655)	\$ 307,845
Other Financing Sources (Uses)				
Transfers in	\$ 144,500	\$ 144,500	\$ -	\$ (144,500)
Transfers out	-	-	(3,252)	(3,252)
Total Other Financing Sources (Uses)	\$ 144,500	\$ 144,500	\$ (3,252)	\$ (147,752)
Net Change in Fund Balance	\$ (166,000)	\$ (166,000)	\$ (5,907)	\$ 160,093
Fund Balance - January 1	657,524	657,524	657,524	-
Fund Balance - December 31	\$ 491,524	\$ 491,524	\$ 651,617	\$ 160,093

**GOODHUE COUNTY
RED WING, MINNESOTA**

AGENCY FUNDS

Family Collaborative Fund - to account for grant money passed through to the Goodhue County Family Services Collaborative.

Taxes and Penalties Fund - to account for the collection and distribution of current and delinquent property taxes. This fund also accounts for refunds on abatements, court orders, and overpayments of real estate and personal property taxes.

Other Agency Fund - to account for collections made by the County on behalf of towns, cities, and the State of Minnesota.

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FAMILY COLLABORATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 278,291	\$ 479,533	\$ 246,727	\$ 511,097
Due from other governments	111,074	105,921	111,074	105,921
Total Assets	\$ 389,365	\$ 585,454	\$ 357,801	\$ 617,018
<u>Liabilities</u>				
Due to other governments	\$ 389,365	\$ 585,454	\$ 357,801	\$ 617,018
 <u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 841,235	\$ 61,551,626	\$ 61,409,111	\$ 983,750
<u>Liabilities</u>				
Due to component unit	\$ 174	\$ 7,000	\$ 3,715	\$ 3,459
Due to other governments	841,061	61,544,626	61,405,396	980,291
Total Liabilities	\$ 841,235	\$ 61,551,626	\$ 61,409,111	\$ 983,750
 <u>OTHER AGENCY FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 255,656	\$ 2,556,088	\$ 2,567,764	\$ 243,980
Departmental cash	24,966	-	24,966	-
Total Assets	\$ 280,622	\$ 2,556,088	\$ 2,592,730	\$ 243,980
<u>Liabilities</u>				
Due to other governments	\$ 280,622	\$ 2,556,088	\$ 2,592,730	\$ 243,980

**GOODHUE COUNTY
RED WING, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,375,182	\$ 64,587,247	\$ 64,223,602	\$ 1,738,827
Departmental cash	24,966	-	24,966	-
Due from other governments	111,074	105,921	111,074	105,921
Total Assets	<u>\$ 1,511,222</u>	<u>\$ 64,693,168</u>	<u>\$ 64,359,642</u>	<u>\$ 1,844,748</u>
<u>Liabilities</u>				
Due to component unit	\$ 174	\$ 7,000	\$ 3,715	\$ 3,459
Due to other governments	1,511,048	64,686,168	64,355,927	1,841,289
Total Liabilities	<u>\$ 1,511,222</u>	<u>\$ 64,693,168</u>	<u>\$ 64,359,642</u>	<u>\$ 1,844,748</u>

BELLE CREEK WATERSHED COMPONENT UNIT

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 4

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
BELLE CREEK WATERSHED COMPONENT UNIT
DECEMBER 31, 2005**

	General Fund	Reconciliation	Statement of Net Assets
<u>Assets</u>			
Cash and pooled investments	\$ 214,695	\$ -	\$ 214,695
Accrued interest receivable	3,276	-	3,276
Due from primary government	3,459	-	3,459
Capital assets			
Non-depreciable	-	378,550	378,550
	<u>\$ 221,430</u>	<u>\$ 378,550</u>	<u>\$ 599,980</u>
Total Assets	<u>\$ 221,430</u>	<u>\$ 378,550</u>	<u>\$ 599,980</u>
 <u>Fund Balance/Net Assets</u>			
Fund Balance			
Unreserved			
Undesignated	<u>\$ 221,430</u>	<u>\$ (221,430)</u>	<u>\$ -</u>
 Net Assets			
Invested in capital assets		\$ 378,550	\$ 378,550
Unrestricted		221,430	221,430
		<u>\$ 599,980</u>	<u>\$ 599,980</u>
Total Net Assets		<u>\$ 599,980</u>	<u>\$ 599,980</u>
 Reconciliation of the Governmental Fund Balance to Net Assets			
Fund Balance - Governmental Fund			\$ 221,430
Capital assets are reported on the Statement of Net Assets but not in the fund balance sheet.			378,550
			<u>\$ 599,980</u>
Net Assets - Governmental Activities			<u>\$ 599,980</u>

**GOODHUE COUNTY
RED WING, MINNESOTA**

Statement 5

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
BELLE CREEK WATERSHED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General Fund	Reconciliation	Statement of Activities
Revenues			
Taxes	\$ 10,459	\$ -	\$ 10,459
Investment earnings	958	-	958
Total Revenues	\$ 11,417	\$ -	\$ 11,417
Expenditures/Expenses			
Current			
General government	10,975	-	10,975
Excess of Revenues Over (Under) Expenditures/Expenses	\$ 442	\$ -	\$ 442
Fund Balance/Net Assets - January 1	220,988	378,550	599,538
Fund Balance/Net Assets - December 31	\$ 221,430	\$ 378,550	\$ 599,980

OTHER SCHEDULES

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 9

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

	2004		2005		2006	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 40,734,402		\$ 44,631,927		\$ 50,462,673	
Personal property	587,399		607,244		617,070	
Tax increment	(1,536,357)		(1,606,948)		(1,694,924)	
Net Tax Capacity	\$ 39,785,444		\$ 43,632,223		\$ 49,384,819	
Taxes Levied for County Purposes						
General	\$ 12,790,403	32.518	\$ 13,015,618	29.830	\$ 13,127,622	27.575
Road and bridge	2,995,796	7.530	3,008,398	6.895	3,305,472	6.693
County welfare	2,978,832	7.487	3,039,211	6.965	3,039,211	6.154
Public health service	580,243	1.458	707,177	1.621	714,274	1.446
Land use management	284,987	0.716	270,482	0.620	273,106	0.553
Debt service	3,221,699	8.893	3,010,402	6.899	2,922,865	5.918
Waste management	110,550	0.278	307,272	0.704	278,230	0.563
Total Taxes Levied for County Purposes	\$ 22,962,510	58.880	\$ 23,358,560	53.534	\$ 23,660,780	48.902
Tax Capacity - Light and Power						
Transmission	\$ 41,962		\$ 43,576		\$ 44,542	
Distribution	5,814		6,034		6,164	
Total Tax Capacity - Light and Power	\$ 47,776		\$ 49,610		\$ 50,706	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.40, as amended)						
Transmission	\$ 55,132		\$ 52,404		\$ 48,654	
Distribution	7,640		7,256		6,734	
Total Light and Power Tax Levies	\$ 62,772	131.385	\$ 59,660	120.258	\$ 55,388	109.231

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 9
(Continued)

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

	2004		2005		2006	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Market Value -						
Light and Power						
Transmission	\$ 2,135,600		\$ 2,216,300		\$ 2,264,600	
Distribution	290,700		301,700		308,200	
Total Market Value - Light and Power	<u>\$ 2,426,300</u>		<u>\$ 2,518,000</u>		<u>\$ 2,572,800</u>	
Light and Power Tax						
Market Value Levies						
Transmission	\$ 2,036		\$ 2,454		\$ 2,692	
Distribution	278		334		366	
Total Light and Power Market Value Tax Levies	<u>\$ 2,314</u>	0.09533	<u>\$ 2,788</u>	0.11074	<u>\$ 3,058</u>	11.886
Market Value -						
State General Tax						
Transmission	\$ 41,962		\$ 43,576		\$ 48,654	
Distribution	5,814		6,034		6,734	
Total Market Value - State General Tax	<u>\$ 47,776</u>		<u>\$ 49,610</u>		<u>\$ 55,388</u>	
State General Tax						
Market Value Levies						
Transmission	\$ 22,706		\$ 22,660		\$ 22,273	
Distribution	3,146		3,138		3,082	
Total State General Tax Market Value Tax Levies	<u>\$ 25,852</u>	54.109	<u>\$ 25,798</u>	52.000	<u>\$ 25,355</u>	50.004
Special Assessments						
Belle Creek Watershed Improvement Bonds	<u>\$ 8,600</u>	0.698	<u>\$ 8,000</u>	0.542	<u>\$ 8,000</u>	0.453
Percentage of Tax						
Collections for						
All Purposes	99.02%		99.36%			

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 10

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Shared Revenue

State

Highway users tax	\$	4,951,218
PERA rate reimbursement		61,078
Disparity reduction aid		29,367
Police aid		183,961
Local government aid		1,755,421
Enhanced 911		97,647
Market value credit		1,771,173
Indian casino aid		27,304
		27,304

Total Shared Revenue **\$ 8,877,169**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	2,365,094
		2,365,094

Payments in lieu of taxes

\$ 120,999

Grants

State

Minnesota Department of		
Corrections	\$	282,985
Public Safety		90,859
Health		180,473
Natural Resources		107,908
Human Services		1,046,432
Water and Soil Resources Board		1,500
Office of Environmental Assistance		109,171
Pollution Control Agency		7,924
Peace Officer Standards and Training Board		14,100
		14,100

Total State **\$ 1,841,352**

Federal

Department of		
Agriculture	\$	113,840
Justice		7,618
Transportation		99,523
Health and Human Services		777,340
Homeland Security		182,179
		182,179

Total Federal **\$ 1,180,500**

Total Grants **\$ 3,021,852**

Total Intergovernmental Revenue **\$ 14,385,114**

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**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 11

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of Goodhue County.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of Goodhue County and is 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*." It was not a material weakness.
- C. No instances of noncompliance material to the financial statements of Goodhue 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 Goodhue 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:
 - Special Supplemental Nutrition Program
for Women, Infants, and Children
 - Social Services Block Grant Title XX
 - CFDA #10.557
 - CFDA #93.667
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Goodhue County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

05-1 Sheriff's Office

When an inmate is incarcerated, the County takes possession of his or her monetary assets. The assets are deposited into a bank account, and the financial transaction is recorded in an inmate trust ledger (BARS). During our review of the inmate trust account, we noted the following issues:

- The Sheriff's Office has not been reconciling the bank account with the check register and inmate trust account in a timely manner. Timely reconciliations should be performed to detect errors, omissions, or misappropriation of assets.

We recommend the bank account, inmate trust account, and check register be reconciled in a timely manner and reviewed or approved by a supervisor.

- The Sheriff's Office does not have policies or procedures to have bank reconciliations reviewed and approved by a supervisor. Timely review and approval of bank reconciliations reduce the risk of undetected errors or intentional misappropriation of assets.

We recommend policies and procedures be created, approved, and implemented to address the review and approval process of bank account reconciliations by a supervisor independent of the reconciliation process.

- Financial transactions relating to the inmate trust account are not consistently recorded between the checking account and inmate trust ledger, and some transactions were not consistent with the purpose of the account. Consistency in underlying transactions makes errors easier to detect, simplifies and improves efficiency of the reconciliation process, and provides an identifiable ending balance.

We recommend a review and revision of the procedures used to record financial transactions to ensure consistency between systems and accounts.

Client's Response:

The BARS program did not provide the Sheriff's Office with a reliable means for activity to be accurately tracked from the inmate trust account to the checking account. With this lack of checks and balances, reconciling the inmate trust account to the checking account was very difficult for staff.

In 2006, the Sheriff's Office implemented a new CIS Jail Management System. Part of this transition involved closing the old BARS accounting package and transferring inmate trust balances over to a new CACTAS accounting software package. Unlike the old program, CACTAS tracks inmate trust activity and creates a check register to ensure that all financial activity is recorded to both the inmate trust ledger and the checking account.

The inmate trust ledger and check register are now reconciled weekly. When the bank statement comes in for the previous month, it is matched to the check register. The Sheriff's Office has implemented a new set of procedures that call for either the Jail Administrator or Assistant Jail Administrator to review and approve these reconciliations on a monthly basis.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEMS ARISING THIS YEAR

05-2 Sheriff's Office - Recording Receipts and Disbursements

Pursuant to Minn. Stat. §§ 385.04 and 385.07, the County Treasurer is to keep a full and accurate account of all county money received and paid, and deposit county funds intact in the name of the county. We noted many financial transactions relating to canteen and bail operations that were not presented to the County Treasurer for recording, depositing, and disbursing as required by the statutes.

We recommend a full and accurate account of the financial activity of canteen and bail operations be maintained in a governmental fund on the County's general ledger.

Client's Response:

Implementation of the new CACTAS accounting software package gave the Sheriff's Office the ability to accurately track and record all County money received from inmates. All County financial activity, including canteen transactions, are turned over to the County Auditor/Treasurer's Office on a weekly basis and are recorded within the County's general ledger. All bail money is turned over to the courts for processing.

05-3

Unclaimed Property

The inmate trust account in the Sheriff's Office has numerous outstanding checks dating back to 1998. Minn. Stat. § 385.38 states that property held by a government that has been unclaimed by an owner for more than three years is presumed abandoned and is reportable to the Commissioner of Commerce pursuant to Minn. Stat. §§ 345.41-.43. The County Auditor/Treasurer has established a system for tracking, reporting, and submitting unclaimed property to the Commissioner. However, unclaimed property in the inmate trust account was not turned over to the County Auditor/Treasurer for reporting.

We recommend the County identify and report unclaimed property to the Commissioner of Commerce in accordance with County procedures and state statutes.

Client's Response:

All stale-dated checks from the inmate trust account have been turned over to the County Auditor/Treasurer for appropriate tracking, reporting, and submission to the Commissioner of Commerce. The Sheriff's Office, in coordination with the Auditor/Treasurer's Office, has developed a set of procedures to accurately review and report these unclaimed checks in accordance with County procedures and state statutes.

B. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board Statement (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 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 by 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.

Some of the issues 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.

Schedule 11
(Continued)

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



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON
STATE AUDITOR

**REPORT ON 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
Goodhue County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County as of and for the year ended December 31, 2005, and have issued our report thereon dated August 31, 2006. 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 Goodhue County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the

financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition indicated above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Goodhue 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, Goodhue County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 05-2 and 05-3.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 31, 2006



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Goodhue County

Compliance

We have audited the compliance of Goodhue 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, 2005. Goodhue 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 Goodhue 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, Goodhue 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, 2005.

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Goodhue County as of and for the year ended December 31, 2005, and have issued our report thereon dated August 31, 2006. 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 Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 31, 2006

**GOODHUE COUNTY
RED WING, MINNESOTA**

Schedule 12

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 101,060
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	12,780
Total U.S. Department of Agriculture		\$ 113,840
U.S. Department of Justice		
Direct		
Bulletproof Vest Partnership Program	16.607	\$ 4,285
Community Prosecution and Project Safe Neighborhoods	16.609	3,333
Total U.S. Department of Justice		\$ 7,618
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 275,744
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	30,000
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	6,515
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	1,320
Total U.S. Department of Transportation		\$ 313,579
U.S. Department of Health and Human Services		
Passed Through Southeastern Minnesota Area on Aging Title III-B Special Programs for the Aging	93.044	\$ 7,487
Passed Through Minnesota Department of Health Immunization Grants	93.268	1,770
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	54,998
Maternal and Child Health Services Block Grant	93.994	44,631

**GOODHUE COUNTY
RED WING, MINNESOTA**

**Schedule 12
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	2,077
Temporary Assistance for Needy Families (TANF)	93.558	193,186
Child Care Mandatory and Matching Funds	93.596	26,284
Foster Care Title IV-E	93.658	129,011
Social Services Block Grant Title XX	93.667	230,240
Chafee Foster Care Independent Living	93.674	14,032
Medical Assistance	93.778	67,944
Block Grant - Community Mental Health Services	93.958	8,290
Total U.S. Department of Health and Human Services		\$ 779,950
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Program	97.004	\$ 36,835
Emergency Management Performance Grants	97.042	19,624
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	7,500
Total U.S. Department of Homeland Security		\$ 63,959
Total Federal Awards		\$ 1,278,946

**GOODHUE COUNTY
RED WING, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Goodhue County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

3. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 1,180,500
State Domestic Preparedness Equipment Support Program (CFDA #97.004) deferred in 2004 and recognized in 2005	(118,220)
Child Welfare Services - State Grants (CFDA #93.645) deferred in 2004 and recognized in 2005	(3,214)
Highway planning and construction (CFDA #20.205) deferred in 2005	214,056
Medical Assistance (CFDA #93.778) deferred in 2005	5,824
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,278,946</u>

4. Pass-Through Grants

During 2005, the County did not pass any federal money to subrecipients.

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